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LVGEM

綠景(中國)地產投資有限公司

LVGEM (CHINA) REAL ESTATE INVESTMENT COMPANY LIMITED

(於開曼群島註冊成立的有限公司)

(香港聯交所股份代號：95)

海外監管公告

碧玺国际有限公司發行額外175,000,000美元8.5厘將於二零二零年到期之有擔保優先票據（將與二零一七年八月十五日發行之225,000,000美元8.5厘將於二零二零年到期之有擔保優先票據合併並組成單一系列）

本海外監管公告乃根據香港聯合交易所有限公司（「聯交所」）證券上市規則（「上市規則」）第13.10B條而刊發。

茲提述綠景（中國）地產投資有限公司（「本公司」）日期為二零一七年十月十七日及十八日有關碧玺国际有限公司額外票據發行之公告（「該等公告」）。除另有界定外，本公告所用詞彙與該等公告所界定者具有相同涵義。

請參閱隨附有關額外票據的補充發售備忘錄（「補充發售備忘錄」）。補充發售備忘錄可於二零一七年十月二十六日起在新加坡證券交易所有限公司網站上查閱。

在聯交所網站刊載補充發售備忘錄僅旨在向香港的投資者同步發佈資訊，以及遵守上市規則第13.10B條的規定，此外別無其他目的。

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承董事會命
綠景(中國)地產投資有限公司
主席
黃敬舒

香港，二零一七年十月二十六日

於本公告日期，本公司執行董事為黃敬舒女士(主席)、唐壽春先生(行政總裁)、葉興安先生、鄧承英女士及黃浩源先生；及本公司獨立非執行董事為祝九勝先生、王敬先生及胡競英女士。

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The attached document 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 document 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.

The communication of the attached document and any other document or materials relating to the issue of the securities described therein is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the 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 document are only available to, and any investment or investment activity to which the attached document relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on the attached document or any of its contents.

CONFIRMATION OF YOUR REPRESENTATION: IN ORDER TO BE ELIGIBLE TO VIEW THE ATTACHED DOCUMENT, INVESTORS MUST COMPLY WITH THE FOLLOWING PROVISIONS. YOU HAVE BEEN SENT THE ATTACHED DOCUMENT ON THE BASIS THAT YOU HAVE CONFIRMED TO NOMURA INTERNATIONAL PLC, GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED, BOSCH INTERNATIONAL COMPANY LIMITED, UBS AG HONG KONG BRANCH, SPDB INTERNATIONAL CAPITAL LIMITED, BOCOM INTERNATIONAL SECURITIES LIMITED, VTB CAPITAL PLC AND AMTD ASSET MANAGEMENT LIMITED (COLLECTIVELY THE "INITIAL PURCHASERS") THAT YOU (I) ARE OUTSIDE THE UNITED STATES, AND, TO THE EXTENT YOU PURCHASE THE SECURITIES DESCRIBED IN THE ATTACHED DOCUMENT, YOU WILL BE DOING SO IN AN OFFSHORE TRANSACTION, AS DEFINED IN REGULATIONS UNDER THE U.S. SECURITIES ACT ("REGULATION S"), IN COMPLIANCE WITH REGULATIONS; AND (II) CONSENT TO DELIVERY BY ELECTRONIC TRANSMISSION.

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Gemstones International Limited
碧玺国际有限公司

(incorporated in British Virgin Islands with limited liability)

Unconditionally and Irrevocably Guaranteed by



LVGEM

綠景(中國)地產投資有限公司

LVGEM (CHINA) REAL ESTATE INVESTMENT COMPANY LIMITED

LVGEM (CHINA) REAL ESTATE INVESTMENT COMPANY LIMITED

綠景(中國)地產投資有限公司

(incorporated in Cayman Islands with limited liability)

US\$175,000,000

8.5% Senior Notes due 2020

to be consolidated and form a single series with the

US\$225,000,000 8.5% Senior Notes due 2020 issued on August 15, 2017

Issue Price: 100.60%

plus accrued interest from (and including) August 15, 2017 to (but excluding) October 25, 2017

The additional US\$175,000,000 8.5% Senior Notes due 2020 (the "New Notes") to be issued by Gemstones International Limited (the "Issuer") shall constitute a further issue of, and be consolidated and form a single series with, the US\$225,000,000 8.5% senior notes due 2020 issued on August 15, 2017 (the "Original Notes"). The terms for the New Notes are the same as those for the Original Notes in all respects except for the issue date and the issue price. The aggregate principal amount of the New Notes to be issued is US\$175,000,000. The Original Notes and the New Notes are referred to collectively as the Notes. Upon the issue of the New Notes, the aggregate principal amount of outstanding Notes will be US\$400,000,000. The Notes will bear interest from August 15, 2017 (the "Original Issue Date") at 8.5% per annum payable semi-annually in arrears on February 15 and August 15 of each year, beginning February 15, 2018. The Notes will mature on August 15, 2020.

The Notes are general obligations of the Issuer, guaranteed on a joint and several basis by LVGEM (China) Real Estate Investment Company Limited (LVGEM China) (the "Company") and by certain of the Company's subsidiaries (the "Subsidiary Guarantors"), other than (1) those organized under the laws of the PRC and (2) certain other subsidiaries specified in the section entitled "Description of the Notes." We refer to the guarantee by the Company as the Parent Guarantee and the guarantees by the Subsidiary Guarantors as Subsidiary Guarantees (together with the Parent Guarantee, the "Notes Guarantees"). Under certain circumstances and subject to certain conditions, a Subsidiary Guarantee required to be provided by a subsidiary of the Company may be replaced by a limited-recourse guarantee (the "JV Subsidiary Guarantee"). We refer to the subsidiaries providing a JV Subsidiary Guarantee as JV Subsidiary Guarantors.

At any time prior to August 15, 2020, the Issuer 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 a premium (as set out in the section entitled "Description of the Notes") as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. At any time and from time to time prior to August 15, 2020, the Issuer may redeem up to 35% of the Notes, at a redemption price of 108.5% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, with the net cash proceeds from sales of certain kinds of capital stock of the Issuer. Upon the occurrence of a Change of Control Triggering Event (as defined in the Indenture), the Issuer must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The Notes will be (1) senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes, (2) at least *pari passu* in right of payment with all other unsecured, unsubordinated indebtedness of the Issuer (subject to any priority rights of such unsecured, unsubordinated indebtedness pursuant to applicable law), (3) effectively subordinated to the secured obligations (if any) of the Issuer, 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 (as defined below). In addition, applicable law may limit the enforceability of the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). See "Risk Factors — Risks Relating to the Notes Guarantees and the JV Subsidiary Guarantees."

For a more detailed description of the Notes, see the section entitled "Description of the Notes" beginning on page 189.

Investing in the Notes involves risks. See the section entitled "Risk Factors" beginning on page 16.

The Original Notes are listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). Approval in-principle has been received from the SGX-ST for the listing and quotation of the New 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 the listing and quotation of the New 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 have been rated "B3" with a negative outlook by Moody's Investors Service and "B+" on rating watch negative by Fitch Ratings. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

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

It is expected that the delivery of the New Notes will be made on or about October 25, 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, Joint Bookrunners and Joint Lead Managers

Nomura Guotai Junan International BOSC International UBS

Joint Bookrunners and Joint Lead Managers

SPDB International BOCOM International VTB Capital AMTD

The date of this offering memorandum is October 17, 2017

TABLE OF CONTENTS

SUMMARY	1	REGULATION	142
THE OFFERING	5	MANAGEMENT	176
SUMMARY CONSOLIDATED FINANCIAL INFORMATION	13	PRINCIPAL SHAREHOLDERS	181
RISK FACTORS	16	RELATED PARTY TRANSACTIONS ..	183
USE OF PROCEEDS	56	DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS	184
EXCHANGE RATE INFORMATION ..	57	DESCRIPTION OF THE NOTES	189
CAPITALIZATION AND INDEBTEDNESS	60	TAXATION	265
SELECTED CONSOLIDATED FINANCIAL INFORMATION	61	PLAN OF DISTRIBUTION	268
MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	64	TRANSFER RESTRICTIONS	273
INDUSTRY OVERVIEW	91	RATINGS	275
CORPORATE STRUCTURE	98	LEGAL MATTERS	276
BUSINESS	100	INDEPENDENT AUDITOR	277
		GENERAL INFORMATION	278
		INDEX TO FINANCIAL STATEMENTS	F-1

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

This offering memorandum is not a prospectus for the purposes of the European Union’s Directive 2003/71/EC (and any amendments thereto) as implemented in the Member States of the European Economic Area (the “EU Prospectus Directive”). This offering memorandum has been prepared on the basis that any offers of the New Notes made to persons in the European Economic Area will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to publish a prospectus in connection with offers of such New Notes.

The communication of this offering memorandum and any other document or materials relating to the issue of the securities described therein is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the 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 this offering memorandum are only available to, and any investment or investment activity to which this offering memorandum relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this offering memorandum or any of its contents.

IN CONNECTION WITH THIS OFFERING, NOMURA INTERNATIONAL PLC, AS STABILIZING MANAGER, OR ANY PERSON ACTING FOR IT, MAY PURCHASE AND SELL THE NEW 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 NEW NOTES. AS A RESULT, THE PRICE OF THE NEW NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF THE INITIAL PURCHASERS, AND NOT FOR US OR ON OUR BEHALF.

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

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

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

No representation or warranty, express or implied, is made by Nomura International PLC, Guotai Junan Securities (Hong Kong) Limited, BOSC International Company Limited, UBS AG Hong Kong Branch, SPDB International Capital Limited, BOCOM International Securities Limited, VTB Capital PLC and AMTD Asset Management Limited (the “Initial Purchasers”), Citicorp International Limited (the “Trustee”), Citibank, N.A., London Branch (the “Paying and Transfer Agent and Registrar”) or any of their respective affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as, a promise or representation, whether as to the past or the future.

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

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

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

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

We reserve the right to withdraw the offering of New Notes at any time, and the Initial Purchasers reserve the right to reject any commitment to subscribe for the New Notes in whole or in part and to allot to any prospective purchaser less than the full amount of the New Notes sought by such purchaser. The Initial Purchasers and certain related entities may acquire for their own account a portion of the New Notes.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this offering memorandum using a number of conventions, which you should consider when reading the information contained herein. When we use the terms “we,” “us,” “our,” the “Company,” the “Group” and words of similar import, we are referring to LVGEM (China) Real Estate Investment Company Limited, or LVGEM (China) Real Estate Investment Company Limited and its consolidated subsidiaries, as the context requires. When we use the term the “Issuer”, we are referring to Gemstones International Limited.

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

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

We record and publish our financial statements in Renminbi. Unless otherwise stated in this offering memorandum, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.9430 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 the section entitled “Exchange Rate Information.”

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

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

Unless the context otherwise requires, references to “2014”, “2015” and “2016” in this offering memorandum are to our financial years ended December 31, 2014, 2015 and 2016, respectively.

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

References to “ASP” are to average selling price.

References to “EIT” are to enterprise income tax.

References to “CAGR” are to compound annual growth rate.

References to “MOFCOM” are to the Ministry of Commerce, People’s Republic of China.

References to “NDRC” are to the National Development and Reform Commission, People’s Republic of China.

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

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

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

In this offering memorandum, a land use rights certificate refers to a state-owned land use rights certificate (國有土地使用權證) issued by a local real estate and land reserves bureau with respect to the land use rights; a construction land planning permit refers to a construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a

construction works planning permit refers to a construction works planning permit (建設工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction permit refers to a construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China; a pre-sale permit refers to a commodity property pre-sale permit (商品房預售許可證) issued by local housing and building administrative bureaus or equivalent authorities with respect to the pre-sale of relevant properties; a certificate of completion refers to a construction project planning inspection and clearance certificate (建設工程規劃驗收合格證) issued by local urban zoning and planning bureaus or equivalent authorities or equivalent certificate issued by relevant authorities in China with respect to the completion of property projects subsequent to their on-site examination and inspection; and a property ownership certificate refers to a property ownership and land use rights certificate (房地產權證) issued by a local real estate and land reserves bureau with respect to the land use rights and the ownership rights of the buildings on the relevant land.

In this offering memorandum, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to such rounding.

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

FORWARD-LOOKING STATEMENTS

This offering memorandum contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. All statements other than statements of historical fact contained in this offering memorandum, including, without limitation, those regarding our future financial position, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate and any statements preceded by, followed by or that include the words “aim,” “anticipate,” “believe,” “could,” “estimate,” “expect,” “going forward,” “intend,” “may,” “ought to,” “plan,” “project,” “seek,” “should,” “will,” “would” and similar expressions or the negative thereof, are 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. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other factors, some of which are beyond our control, and 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.

Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, without limitation, the risk factors set forth under the section headed “Risk Factors” in this offering memorandum and the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this offering memorandum, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this offering memorandum might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this offering memorandum are qualified by reference to the cautionary statements set out in this section.

Statements of or references to the intentions of our Company or any of our directors are made as at the date of this offering memorandum. Any such intentions may potentially change in light of future developments.

ENFORCEMENT OF CIVIL LIABILITIES

We are an exempted company incorporated in the Cayman Islands with limited liability, and each of the Issuer, Subsidiary Guarantors and JV Subsidiary Guarantors (if any) is also incorporated or may be incorporated, as the case may be, outside the United States, such as the British Virgin Islands and Hong Kong. The Cayman Islands, the British Virgin Islands, Hong Kong and other jurisdictions have different bodies of securities laws from the United States and protections for investors may differ.

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

We and each of the Issuer, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) expect to appoint Cogency Global Inc. as our and their respective agent to receive service of process with respect to any action brought against us, the Issuer, the Subsidiary Guarantors or the JV Subsidiary Guarantors (if any) 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, the Issuer, the Subsidiary Guarantors or the JV Subsidiary Guarantors (if any) 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.

Appleby, our Cayman Islands legal advisor, has advised that there is uncertainty as to (i) whether the courts in the Cayman Islands would enforce judgments obtained in the United States courts against us or our directors predicated upon the civil liability provisions of the federal securities laws of the United States and (ii) whether the Cayman Islands courts would entertain actions brought in the Cayman Islands against us or our directors predicated upon the civil liability provisions of the federal securities laws of the United States.

We have been further advised by Appleby that the courts of the Cayman Islands would recognize as a valid judgment, a final and conclusive judgment *in personam* obtained in the United States courts against us 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 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; (f) there is due compliance with the correct procedures under the laws of the Cayman Islands; and (g) the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

Appleby, our British Virgin Islands legal advisor, has advised that it is doubtful whether the courts in the British Virgin Islands will enforce judgments obtained in the United States, against us or our directors or officers under the securities laws of the United States or entertain actions in the British Virgin Islands against us or our directors or officers under the securities laws of the United States.

We have been further advised by Appleby, that the courts of the British Virgin Islands would recognize as a valid judgment, a final and conclusive judgment *in personam* obtained in the United States courts against us 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; (f) there is due compliance with the correct procedures under the laws of the British Virgin Islands; and (g) the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

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

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

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

SUMMARY

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

OVERVIEW

We are a leading, specialized property developer and commercial property operator based in Shenzhen, PRC. Our vision is “to be the most respected urban value creator” (“做最受尊敬的城市價值創造者”) by providing quality products and services and creating social, economic and cultural values for cities. From 2011 to 2017, we were recognized as one of the “Top 10 Shenzhen Real Estate Enterprises in terms of Comprehensive Strength” (深圳房地產開發十強企業) by Shenzhen Real Estate Association for seven consecutive years. In 2017, we were ranked the fourth among the thirteen “Trustworthy Enterprises in Shenzhen’s Real Estate Industry” by Shenzhen Real Estate Association.

We were known as New Heritage Holdings Ltd. (“New Heritage Holdings”), a company listed on The Stock Exchange of Hong Kong since December 2, 2005 (Hong Kong Stock Code: 00095) and mainly engaged in property development and property investment businesses in Suzhou. On January 21, 2014, a sales and purchase agreement was entered into between China LVGEM Property Holdings Limited (“China LVGEM”), a company ultimately wholly beneficially owned by Mr. Wong Hong King, and a shareholder of New Heritage Holdings, to acquire 64.8% of the then aggregate issued share capital of New Heritage Holdings (“the 2014 Acquisition”). The 2014 Acquisition was completed on May 8, 2014. Subsequent to the completion of the 2014 Acquisition, China LVGEM’s interest in the Company increased to 81.5% after the acquisition of additional shares of the Company as a result of the mandatory general offer and exercise of share options of the Company. China LVGEM’s interest in New Heritage Holdings subsequently reduced to 73.0% to restore the public float. In September 2014, our name was changed to “LVGEM (China) Real Estate Investment Company Limited” (“綠景(中國)地產投資有限公司”).

On June 2, 2015, we as purchaser entered into an agreement with Mr. Wong Hong King as vendor in respect of the sale and purchase of the entire issued share capital of Green View Holding Company Limited (“Green View”) at a consideration of HK\$13,785,000,000 (the “Green View Acquisition”). As of 2015, Green View had developed a diverse portfolio of 15 completed projects including urban boutique residences, the Zoll Centers, Shenzhen NEO Urban Commercial Complex and a hotel. Of the aggregate consideration of HK\$13,785,000,000 for the Green View Acquisition, (a) HK\$5,169,246,000 was settled by the allotment and issue of 2,509,342,511 our new shares at the issue price of HK\$2.06 per share, (b) HK\$7,031,754,000 was settled by the allotment and issue of 3,413,473,023 convertible preference shares at the issue price of HK\$2.06 per share, and (c) the balance of HK\$1,584,000,000 was settled by cash. The Green View Acquisition constituted a reverse takeover and we were treated as a new listing applicant under Rule 14.54 vetted under the procedures and requirements set out in Chapter 9 of the Listing Rules. On November 30, 2015, the asset injection was completed. We conducted a placement of new shares at a placing price of HK\$2.20 per share in conjunction with the Green View Acquisition. Two cornerstone investors were introduced successfully, namely, a wholly-owned subsidiary of China Vanke Co., Ltd. (“萬科企業股份有限公司”) (Hong Kong Stock Code: 2202), a leading property developer in China, and a wholly-owned subsidiary of Shenzhen Pingan Dahua Huitong Wealth Management Co., Ltd. (“深圳平安大華匯通財富管理有限公司”), a member of Ping An Group of the PRC.

Adhering to the “dual core” strategic vision of “focusing on core cities and cities’ core areas,” we develop projects mainly in core cities and central areas to help achieve low risk, high value and high returns for our projects. Being one of the forerunners in urban redevelopment, we actively participated in urban redevelopment projects in Shenzhen, where we have accumulated extensive experience and established a unique land reserve acquisition model. We have established a solid market position in

Shenzhen and have been strategically expanding into other property markets in the Pearl River Delta, in alignment with the Guangdong-Hong Kong-Macau Greater Bay Area (“GDHKMC Bay Area”) concept, which was put forward in the 5th session of the 12th National People’s Congress in March 2017. The GDHKMC Bay Area concept focuses on the creation of a financial and trading core area and the promotion of high-quality living through cultural development and green initiatives. The GDHKMC Bay Area is also one of the most economically prosperous and vibrant economic zones in China. Our geographical coverage also includes the Yangtze River Delta region, mainly in Suzhou.

Our business operations consist of three principal business segments:

- (i) Property development and sales;
- (ii) Commercial property investment and operations; and
- (iii) Comprehensive services.

Our mission is to “build quality products and enhance urban value” (“持續提升城市價值”). As of June 30, 2017, we had completed a diverse portfolio of 20 residential and commercial properties with an aggregate GFA of 2.9 million sq.m., most of which are located in prime, core areas of Shenzhen such as Futian, Longhua and Luohu. We currently have a robust project pipeline with a land reserve of total planned GFA of approximately 4.1 million sq.m., including our first overseas project in Lau Fau Shan, Hong Kong. We adopt a dual-track land acquisition strategy in which we seek quality land reserves primarily through urban redevelopment and complemented by selective acquisitions and other means such as public processes. As one of the pioneers of urban redevelopment, we believe we can leverage our extensive experience and continue to acquire land in prime locations at a competitive cost, particularly in Shenzhen where urban redevelopment has become a primary source of land supply.

In line with our two-pronged residential and commercial business model, we own and operate for long-term investment purposes a substantial portion of the commercial properties we have developed. These commercial properties include the Shenzhen NEO Urban Commercial Complex, Zoll Centers and other retail spaces. Shenzhen NEO Urban Commercial Complex is composed of three buildings that consist of a Grade-A office building, retail space and business apartments. Zoll centers are community lifestyle and shopping centers which complement our existing residential property developments. We hold these commercial properties for capital appreciation and lease them to generate rental income. As of June 30, 2017, we had 15 investment properties primarily in Shenzhen with a total GFA of approximately 403,261 sq.m. including one property under construction, Mangrove Bay No. 1 Zoll Center. We launched Hongwan Zoll Center in January 2017 and expect to launch International Garden Zoll Center in 2017 and Mangrove Bay No. 1 Zoll Center in 2018. Additionally, we expect to launch Suzhou Zoll Center with 12,100 sq.m. GFA in 2019.

We also provide comprehensive services, including property management services and hotel operations. We provide high quality property management services to the residents and tenants of 19 properties with an aggregate GFA of approximately 2.29 million sq.m. We manage a majority of the properties developed by us, including Shenzhen NEO Urban Commercial Complex and Zoll Centers. In 2016, our LVGEM Hotel, located in central business district of Futian in Shenzhen, was awarded “The Most Popular Hotel” (“最受歡迎酒店獎”) by the Shenzhen Tourism Association. In 2017, we acquired Vanlee Hotel in Covina, Los Angeles, USA.

In 2014, 2015, 2016 and the six months ended June 30, 2017, our revenue was RMB5,245.3 million, RMB1,210.3 million, RMB4,590.2 million (US\$677.1 million) and RMB595.1 million (US\$87.8 million), respectively, and our profit for the period was RMB1,748.6 million, RMB424.6 million, RMB808.7 million (US\$119.3 million) and RMB46.8 million (US\$6.9 million), respectively.

RECENT DEVELOPMENT

Major Acquisition

On October 11, 2017, Pace Ascend Limited, an indirect wholly-owned subsidiary of ours, Greater Honour Limited, The Wharf (Holdings) Limited and the Company entered into a sale and purchase agreement, pursuant to which Greater Honour Limited has agreed to (i) sell and Pace Ascend Limited has conditionally agreed to purchase 100% issued shares of New Grade Investments Limited and all amounts owed by New Grade Investments Limited to Greater Honour Limited and (ii) engage City Project Management Limited, another indirect wholly-owned subsidiary of The Wharf (Holdings) Limited, to complete the development of the property indirectly owned by New Grade Investments Limited for a total consideration of HK\$9.0 billion in cash (subject to price adjustments). The consideration will be funded by the internal resources of the Group as well as bank and/or other financing. The consideration will be paid by installments, and the first installment of HK\$788.0 million has been fully paid upon the execution of the sale and purchase agreement.

Pursuant to Rule 14.44 of the Listing Rules, in lieu of holding a general meeting, we have obtained shareholders' written approval from the closely allied group of shareholders comprising China LVGEM, True Vantage and Kinson, together holding an aggregate of 75% of the issued share capital of our Company. As such, we are not required to convene an extraordinary general meeting for the approval of such transaction.

New Grade Investments Limited is an investment holding company. Its principal assets comprises all the issued shares of Olinda Limited, whose principal asset is a property currently under development and is intended to be a single office tower located at 123 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong. The permitted GFA of this development is approximately 55,390 sq.m. The closing of the transaction is expected to take place at the end of 2017 and the development is expected to be completed on or before November 15, 2019.

As a result of the above announcement, Moody's Investors Service announced on October 16, 2017 that it had changed the outlook on both the Notes and our corporate family rating from stable to negative, citing liquidity and leverage concerns, and Fitch Ratings announced on October 17, 2017 that it had placed both the Notes and our long-term foreign currency issuer default rating on rating watch negative, citing leverage concerns. For more information, see "Risk Factors — The ratings assigned to the Notes and our corporate ratings maybe lowered or withdrawn in the future."

OUR COMPETITIVE STRENGTHS

We believe that our primary competitive strengths are:

- leading Shenzhen developer with dual-core strategy in the Pearl River Delta region, in alignment with the GDHKMC Bay Area concept;
- forerunner in urban redevelopment with the advantage to acquire land at relatively low cost;
- cooperation with controlling shareholder allowing for flexible land reserve expansion;
- strong and established two-pronged business model with steady recurring cash flow and value gains from commercial properties;
- experienced management team with proven track record of effective execution yielding strong profitability; and
- well-balanced capital and financial management.

OUR STRATEGIES

Our business strategies are to:

- continue to expand in core areas of fast-growing core cities in the GDHKMC Bay Area;
- continue to expand our land reserves by adopting a dual-track land acquisition strategy;
- focus on further optimizing our project portfolio;
- improve our product positioning; and
- enhance brand reputation.

GENERAL INFORMATION

The Issuer, Gemstones International Limited, is a company incorporated on May 25, 2017 in the BVI with limited liability. The Issuer is a wholly owned subsidiary of LVGEM (China) Real Estate Investment Company Limited. The Issuer currently has no business or operations other than to issue the Notes and conduct other activities in connection therewith.

The Parent Guarantor, LVGEM (China) Real Estate Investment Company Limited, was incorporated in the Cayman Islands on December 23, 2004 as an exempted company with limited liability. Our shares have been listed on The Stock Exchange of Hong Kong since December 2, 2005. Our principal place of business in the PRC is at 55/F, Tower A, NEO Building, 6011 Shennan Boulevard, Fuitan District, Shenzhen, China and 26/F Gold River Center, 88 Shi Shan Road, New District, Suzhou, China. Our place of business in Hong Kong is at Suites 1701-1703, 17/F, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong. Our registered office is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. Our website is www.lvgem-china.com. Information contained on our website does not constitute part of this offering memorandum.

THE OFFERING

The following is a brief summary of the terms of this offering and is qualified in its entirety by the section entitled “Description of the Notes” in this offering memorandum. Terms used in this summary and not otherwise defined shall have the meanings given to them in “Description of the Notes.”

Issuer	Gemstones International Limited
Parent Guarantor	LVGEM (China) Real Estate Investment Company Limited (the “Company”)
New Notes Offered.	US\$175,000,000 aggregate principal amount of 8.5% senior notes due 2020 to be consolidated and form a single series with the US\$225,000,000 8.5% senior notes due 2020 issued on August 15, 2017.
Issue Price.	100.60% of the principal amount of the New Notes plus accrued interest from (and including) August 15, 2017 to (but excluding) October 25, 2017.
Maturity Date	August 15, 2020.
Interest	The Notes bear interest from and including August 15, 2017 at the rate of 8.5% per annum, payable semiannually in arrears.
Interest Payment Dates	February 15 and August 15 of each year, commencing February 15, 2018.
Ranking of the Notes	The Notes are: <ul style="list-style-type: none">• general obligations of the Issuer;• senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes;• at least <i>pari passu</i> in right of payment with all unsecured, unsubordinated Indebtedness of the Issuer (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);• guaranteed by the Notes Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to the limitations described below under “Description of the Notes — The Subsidiary Guarantees and The JV Subsidiary Guarantees” and in “Risk Factors — Risks Relating to the Notes Guarantees and the JV Subsidiary Guarantees”;

- effectively subordinated to secured obligations, (if any) of the Issuer, the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

Parent Guarantee The Company guarantees the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes.

Ranking of Parent Guarantee . . . The Parent Guarantee is:

- a general obligation of the Company;
- senior in right of payment to all future obligations of the Company expressly subordinated in right of payment to the Parent Guarantee;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- effectively subordinated to the secured obligations of the Company, 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.

Subsidiary Guarantees. Each of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), jointly and severally, guarantees the due and punctual payment of the principal, premium, if any, interest, and all other amounts payable under the Notes.

The initial Subsidiary Guarantors consist of all the Company's Restricted Subsidiaries other than the Issuer, those Restricted Subsidiaries organized under the laws of the PRC and certain other Restricted Subsidiaries specified in "Description of the Notes." The Subsidiary Guarantors are holding companies that do not have significant operations.

None of the existing or future Restricted Subsidiaries organized under the laws of the PRC provided or will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at any time in the future.

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, Exempted Subsidiaries or Listed Subsidiaries), as soon as practicable after it becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary, 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 (and its Restricted Subsidiaries) organized outside the PRC not provide a Subsidiary Guarantee or 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 or Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 20.0% of Total Assets as of the date such Person becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary.

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 Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20.0% of the Capital Stock of such Subsidiary Guarantor, the Company may release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, *provided* that, after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries or Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors (including such Other Non-Guarantor Subsidiaries) do not account for more than 20.0% of Total Assets.

JV Subsidiary Guarantees In the case of a Restricted Subsidiary that is, or is proposed by the Company or any Restricted Subsidiary to be, established after the Original Issue Date, or any entity in respect of which the Company or any Restricted Subsidiary (x) in the case of a Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Restricted Subsidiary, or (y) in the case of any other entity is proposing to purchase the Capital Stock of an Independent Third Party such that it becomes a non-Wholly Owned Subsidiary of the Company and designate such Subsidiary as a Restricted Subsidiary, the Company may (in each case, to the extent such Restricted Subsidiary is not an Exempted Subsidiary, a Listed Subsidiary or incorporated in the PRC), subject to the satisfaction of certain conditions described under “Description of the Notes,” concurrently with or as soon as practicable after the consummation of such establishment, sale, issuance, or purchase, cause (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC (other than Exempted Subsidiaries or Listed Subsidiaries) to provide a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee.

No JV Subsidiary Guarantee exists as of the Original Issue Date.

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, if any, 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 all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

Ranking of JV Subsidiary

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

Use of Proceeds We intend to use the net proceeds for general corporate purposes and to finance new property projects.

Optional Redemption At any time prior to August 15, 2020, the Issuer may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in “Description of the Notes — Optional Redemption.”

At any time and from time to time prior to August 15, 2020, the Issuer may redeem up to 35% of the aggregate principal outstanding 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 108.5% 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 issued on the Original Issue Date remain outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

**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 at a purchase price equal to 101.0% 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.”

Additional Amounts

All payments of principal of, and premium (if any) and interest on the Notes or under the Notes 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 Issuer, the Company, a Surviving Person (as defined under “Description of Notes — 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, or any jurisdiction through which payments are made, unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. Subject to certain exceptions, in the event that any such withholding or deduction is so required, the Issuer, 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.

Redemption for Taxation

Reasons

Subject to certain exceptions and as more fully described herein, the Notes may be redeemed, at the option of the Issuer, the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days’ nor more than 60 days’ notice to the Holders and the Trustee (which notice shall be irrevocable), at a redemption price equal to 100.0% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Issuer, the Company or the Surviving Person, as the case may be, for redemption, if the Company or a Surviving Person would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws. See “Description of the Notes — Redemption for Taxation Reasons.”

Covenants The Indenture limits the Company’s ability or the Issuer, the Company and its Restricted Subsidiaries to, among other things:

- incur additional indebtedness and issue disqualified or preferred stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee any Indebtedness of the Issuer, the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor;
- 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 certain shareholders and 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 New Notes, the Notes Guarantees and the JV Subsidiary Guarantees (if any) 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 New 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 and will be initially represented by one or more global notes deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream. Beneficial interests in the Global Note will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream.

Book-entry Only	The New Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see “Description of the Notes — Book-Entry; Delivery and Form.”	
Delivery of the New Notes	The Issuer expects to make delivery of the New Notes, against payment in same-day funds on or about October 25, 2017, which the Company expects will be the sixth business day following the date of this offering memorandum referred to as “T+6.” You should note that initial trading of the New Notes may be affected by the “T+6” settlement. See “Plan of Distribution.”	
Trustee	Citicorp International Limited.	
Paying and Transfer Agent and Registrar	Citibank, N.A., London Branch.	
Listing	The Original Notes are listed on the SGX-ST. Approval in-principle has been received from the SGX-ST for the listing and quotation of the New 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	The Notes have been rated “B3” by Moody’s Investors Service and “B+” by Fitch Ratings. Moody’s Investors Service had recently changed the outlook on the Notes from stable to negative, citing liquidity and leverage concerns, and Fitch Ratings had recently placed the Notes on rating watch negative, citing leverage concerns. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. For more information, see “Risk Factors – The ratings assigned to the Notes and our corporate ratings maybe lowered or withdrawn in the future.”	
Securities Codes	ISIN	Common Code
	XS1643556670	164355667
Governing Law	The Notes, the Notes Guarantees, the JV Subsidiary Guarantees (if any) and the Indenture are governed by and construed in accordance with the laws of the State of New York.	
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the New Notes, see “Risk Factors.”	

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following table presents our summary financial information. The summary consolidated statements of profit or loss for 2014, 2015 and 2016 and the summary consolidated statements of financial position as of December 31, 2014, 2015 and 2016 set forth below (except for EBITDA data) have been derived from our consolidated financial statements for such years and as of such dates, as audited by Deloitte Touche Tohmatsu (“Deloitte”), independent certified public accountants, and included elsewhere in this offering memorandum. The summary condensed consolidated statement of profit or loss for the six months ended June 30, 2016 and 2017 and the summary condensed consolidated statement of financial position data as of June 30, 2017 set forth below (except for EBITDA data) have been derived from our unaudited condensed consolidated interim financial statements for such periods and as of such date, as reviewed by Deloitte, included elsewhere in this offering memorandum.

Our financial information has been prepared and presented in accordance with HKFRS, which differs in certain respects from generally accepted accounting principles in other jurisdictions. The summary financial information below should be read in conjunction with the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum. Historical results are not necessarily indicative of results that may be achieved in any future period. Results for interim periods are not indicative of results for the full year.

SUMMARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER FINANCIAL DATA

	For the year ended December 31,				For the six months ended June 30,		
	2014	2015	2016		2016	2017	
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(RMB)	(US\$)
	(in thousands)						
Revenue	5,245,348	1,210,270	4,590,162	677,085	3,763,762	595,062	87,776
Cost of sales	(2,819,151)	(574,887)	(2,294,209)	(338,414)	(2,062,650)	(251,372)	(37,079)
Gross profit	2,426,197	635,383	2,295,953	338,671	1,701,112	343,690	50,697
Other income, other gains and losses	23,594	87,336	108,448	15,997	29,402	21,448	3,164
Selling expenses	(51,371)	(56,501)	(58,293)	(8,599)	(25,606)	(14,823)	(2,187)
Administrative expenses	(170,809)	(239,059)	(348,696)	(51,435)	(170,437)	(178,437)	(26,321)
Fair value changes on investment properties	887,591	426,816	247,498	36,508	624	175,845	25,939
Fair value changes on derivative financial instruments	–	–	15,022	2,216	–	41,373	6,103
Finance costs	(218,322)	(262,868)	(406,500)	(59,962)	(150,493)	(265,555)	(39,171)
Share of results of joint ventures	(40)	(30)	(9)	(1)	–	(92)	(14)
Profit before tax	2,896,840	591,077	1,853,423	273,394	1,384,602	123,449	18,210
Income tax expense	(1,148,266)	(166,492)	(1,044,757)	(154,110)	(814,525)	(76,678)	(11,311)
Profit for the year/period	<u>1,748,574</u>	<u>424,585</u>	<u>808,666</u>	<u>119,285</u>	<u>570,077</u>	<u>46,771</u>	<u>6,899</u>
Attributable to:							
Owners of the Company	1,746,606	417,780	802,297	118,345	564,167	43,172	6,368
Non-controlling interests	1,968	6,805	6,369	939	5,910	3,599	531
	<u>1,748,574</u>	<u>424,585</u>	<u>808,666</u>	<u>119,285</u>	<u>570,077</u>	<u>46,771</u>	<u>6,899</u>
Other Financial Data							
EBITDA ⁽¹⁾	2,337,926	436,433	2,258,294	333,116	1,764,990	247,167	36,458
EBITDA margin ⁽²⁾	44.6%	36.1%	49.2%	49.2%	46.9%	41.5%	41.5%

Notes:

- (1) EBITDA for any period consists of profit before finance costs, capitalized interest included in cost of sales, income tax expense, depreciation and amortization, other income, other gains and losses, fair value changes on investment properties, fair value changes on derivative financial instruments, share of results of joint ventures and equity-settled share-based payments. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See the section entitled "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 indicated 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 the section entitled "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.
- (2) EBITDA margin is calculated by dividing EBITDA by revenue for the relevant period, expressed as a percentage.

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31,				As of June 30,	
	2014	2015	2016		2017	
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(US\$)
			(in thousands)			
Non-current assets						
Investment properties	11,384,416	11,973,452	12,227,017	1,803,581	12,399,857	1,829,076
Property, plant and equipment	403,309	333,422	294,188	43,395	430,251	63,465
Goodwill	231,602	231,602	231,602	34,163	231,602	34,163
Interests in joint ventures	521,757	525,393	528,384	77,941	528,292	77,927
Available-for-sale investments	347,767	343,267	561,048	82,759	825,513	121,770
Deferred tax assets	222,360	199,785	190,151	28,049	194,462	28,685
Deposits paid for acquisition of equity interests	–	–	210,000	30,977	–	–
Deposits paid for acquisition of property, plant and equipment	–	–	156,776	23,126	–	–
	<u>13,111,211</u>	<u>13,606,921</u>	<u>14,399,166</u>	<u>2,123,990</u>	<u>14,609,977</u>	<u>2,155,086</u>
Current assets						
Properties under development for sale	4,557,695	2,109,719	3,977,425	586,701	4,700,467	693,356
Properties held for sale	802,574	3,293,741	1,556,050	229,530	1,410,400	208,045
Other inventories	2,011	914	1,006	148	947	140
Accounts receivable	38,720	102,210	16,536	2,439	16,943	2,499
Deposits paid, prepayments and other receivables	806,015	1,941,469	1,234,783	182,140	1,213,921	179,063
Tax recoverable	35,538	88,950	8,316	1,227	1,413	208
Other current assets	331,710	80,000	200,000	29,502	50,000	7,375
Restricted bank deposits	760,546	1,253,444	1,738,990	256,515	2,189,734	323,003
Bank balances and cash	1,414,628	1,514,559	2,792,246	411,878	2,989,521	440,978
	<u>8,749,437</u>	<u>10,385,006</u>	<u>11,525,352</u>	<u>1,700,080</u>	<u>12,573,346</u>	<u>1,854,667</u>
Current liabilities						
Accounts payable	1,532,034	1,102,296	921,438	135,919	731,962	107,970
Accruals, deposits received and other payables	1,213,922	3,944,349	546,538	80,619	580,169	85,579
Dividend payables	–	–	–	–	211,211	31,155
Tax liabilities	673,134	470,507	768,146	113,308	748,338	110,386
Borrowings	1,769,737	1,676,275	3,580,323	528,126	4,614,914	680,736
	<u>5,188,827</u>	<u>7,193,427</u>	<u>5,816,445</u>	<u>857,971</u>	<u>6,886,594</u>	<u>1,015,826</u>
Net current assets	<u>3,560,610</u>	<u>3,191,579</u>	<u>5,708,907</u>	<u>842,109</u>	<u>5,686,752</u>	<u>838,841</u>
Total assets less current liabilities	<u>16,671,821</u>	<u>16,798,500</u>	<u>20,108,073</u>	<u>2,966,099</u>	<u>20,296,729</u>	<u>2,993,927</u>
Non-current liabilities						
Convertible bonds	–	–	559,186	82,484	577,104	85,127
Derivative financial instruments	–	–	120,496	17,774	79,123	11,671
Borrowings	6,325,096	6,557,606	7,836,944	1,156,011	8,049,612	1,187,381
Deferred tax liabilities	2,269,077	2,267,724	2,393,783	353,102	2,465,899	363,739
	<u>8,594,173</u>	<u>8,825,330</u>	<u>10,910,409</u>	<u>1,609,371</u>	<u>11,171,738</u>	<u>1,647,918</u>
Net assets	<u>8,077,648</u>	<u>7,973,170</u>	<u>9,197,664</u>	<u>1,356,728</u>	<u>9,124,991</u>	<u>1,346,009</u>
Capital and reserves						
Share capital	32,336	39,115	39,115	5,770	39,115	5,770
Reserves	7,977,082	7,841,962	8,925,397	1,316,566	8,851,009	1,305,594
Equity attributable to owners of the Company	8,009,418	7,881,077	8,964,512	1,322,336	8,890,124	1,311,364
Non-controlling interests	68,230	92,093	233,152	34,392	234,867	34,645
Total equity	<u>8,077,648</u>	<u>7,973,170</u>	<u>9,197,664</u>	<u>1,356,728</u>	<u>9,124,991</u>	<u>1,346,009</u>

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 rely heavily on the strong performance of the property market in China, particularly in Shenzhen and the wider Pearl River Delta region, where most of our properties and investments are located

Our growth in the past has benefited from the strong demand for properties in China, particularly in Shenzhen and the wider Pearl River Delta region, where a majority of our past and current property development projects are located. In particular, two projects in Shenzhen (LVGEM Hongwan Garden and Mangrove Bay No.1) may generate a significant portion of our total contracted sales in the next two years. As we intend to continue to focus our efforts in these regions, we will continue to depend in the near future on the continuous growth and performance of the property market in such regions. Market demand for residential and commercial properties and office spaces could be affected by various factors, including the general economic environment, and any macroeconomic control measures implemented by the PRC government, including but not limited to, higher down payment requirements, home purchase restrictions on non-local residents, and price limits, many of which are beyond our control. We cannot assure you that demand for or average selling prices or sales volume of our properties will continue to grow or remain at previous levels in the future. Any adverse developments in the supply and demand of properties or in property prices in China, particularly Shenzhen and the wider Pearl River Delta region, could have a material adverse effect on our business, financial condition and results of operations.

We have primarily obtained and may continue to primarily obtain the land that we develop, through urban redevelopment, which involves a number of risks and uncertainties

Historically, a majority of our completed projects were developed on land obtained through urban redevelopment. Although we also obtain land through a variety of sources, urban redevelopment will continue to be a major source of land acquisition for development. However, we cannot assure you that we will be able to obtain sufficient land supply through urban redevelopment going forward. In addition, we may face a number of risks through such arrangements, including but not limited to the following:

- In order to successfully obtain an urban redevelopment project, we may need to incur certain costs and expenses before we obtain the land use rights and are able to commence development. As land use rights have not been obtained, bank loans are generally not available for the below-mentioned costs. Such costs and expenses normally include (i) fees paid to design firms for the designing of the urban redevelopment project; (ii) labor costs incurred during the negotiation process; and (iii) a deposit fee paid to the relevant villager-representative companies when we enter into the master agreements or letters of intent for the urban redevelopment project;

- Negotiations with the local governments and the relevant villager-representative companies on an urban redevelopment project can be time consuming. Depending on the scale of the project it generally takes two to five years from the time that we enter into a master development agreement/plan or a letter of intent with the relevant villager-representative company until the time that we obtain the land use rights, and may sometimes take a longer time. There can be no assurance that these timetables will not be further delayed. The long execution period may expose us to greater market risks compared to other real estate developers who obtain land for development through other means. Any property market downturn in the regions where we are arranging or developing an urban redevelopment project could lead to potential decline in demand or selling prices of our properties and may materially and adversely affect our business, financial condition and operating results;
- There can be no assurance that we will be successful in securing the land grant contracts or obtaining the relevant land use rights certificates in relation to our urban redevelopment projects, notwithstanding the entering into of any master development agreement/plan or letter of intent with local governments, their affiliated entities and/or the relevant villager-representative companies, and regardless of the incurrence of initial costs associated with any preliminary discussions and negotiations, initial deposits and/or project planning and design proposals;
- Part of our urban redevelopment costs consist of compensation that we pay existing residents for resettlement, which is calculated in accordance with certain formulas published by the relevant local authorities. These formulas take into account the location, GFA and the type of building to be demolished, local income levels and many other factors. There can be no assurance that local authorities will not change or adjust their formulas without prior notice in a manner that will materially increase our costs;
- There can be no assurance that we will be able to reach agreements for compensation and resettlement for our current resettlement projects on satisfactory terms, or at all. Existing owners or residents may disagree with the compensation arrangements or refuse to relocate. An unfavorable final determination or settlement regarding the amount of compensation payable by us may increase the cost of the development and materially and adversely affect our cash flow, business, results of operations and financial condition; and
- There can be no assurance that the master development agreements/plans or letters of intent will be implemented as agreed or will not be terminated and there are risks with respect to the enforcement of these agreements and plans, particularly in light of their relatively long execution periods. If we have performed our obligations under the relevant master development agreements/plans or letters of intent, including but not limited to paying the agreed compensation to and arranging the resettlement for the existing residents, but the other parties fail to perform their corresponding obligations, our business, financial condition, results of operations and prospect would be materially and adversely affected.

Our urban renewal plan in Shenzhen may be removed out of the plan by the government if we could not meet the requirements within the stipulated time according to the Notice on strengthening and improving the interim measure of urban renewal implementation (關於加強和改進城市更新實施工作暫行措施的通知), promulgated by the General Office of the People's Government of Shenzhen on December 29, 2016, which states that each district government shall regularly clean up the urban renewal plan, and the project with one of the following situations may be removed from the renewal plan according to the procedure: 1. the verification of the land and buildings information and the approval of the urban renewal unit planning have not been completed within 1 year from the date of the announcement of the urban renewal plan; 2. the implementation entity has not been confirmed for the first phase of the project within 2 years from the approval date of the urban renewal unit planning; 3. the land grant procedures has not been completed within 1 year from the date of implementation entity confirmation.

We have not encountered any material difficulties with respect to the execution of these agreements/plans or the urban redevelopment projects that we have participated in the past. Nevertheless, PRC government policies related to our projects may change in the future and there may be changes in the implementation of these agreements. If any of these master agreements/plans or letters of intent are not implemented as agreed, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We may not be able to maintain our gross margin if we acquire land reserves through land auctions held by local government

The sustainable growth and success of our business significantly depend on our ability to continue acquiring additional land reserves in desirable locations at commercially reasonable prices that are suitable for our projects. Our ability to acquire land depends on a variety of factors that are beyond our control, such as the overall economic conditions, the availability of land parcels provided by the government, our effectiveness in identifying and acquiring land parcels suitable for development and competition for such land parcels. We have in the past acquired some of our land reserves through land auctions held by local governments. The availability and price of land sold at auctions depend on certain factors beyond our control, including government land policies and competition. The PRC government and relevant local authorities control the supply and price of new land parcels and approve the planning and use of such land parcels. Specific regulations are in place to control the methods and procedures by which land parcels are acquired and developed in the PRC. Furthermore, the rapid development in the cities we conduct business in recent decades, has resulted in a limited supply of undeveloped land in desirable locations and at reasonable acquisition costs, which constitutes one of the major components of our cost of sales. See “Regulation.” To the extent that we are unable to acquire suitable land parcels at commercially acceptable prices for our future development in a timely manner or at prices that will enable reasonable economic returns to us, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We maintain a substantial level of indebtedness, which may affect our business, financial condition, results of operations and prospects

We maintain a substantial level of indebtedness. Our total outstanding bank and other borrowings (including convertible bonds) amounted to RMB8,094.8 million, RMB8,233.9 million, RMB11,976.5 million and RMB13,241.6 million (US\$1,953.2 million) as of December 31, 2014, 2015, 2016 and June 30, 2017, respectively. As of June 30, 2017, RMB4,614.9 million (US\$680.7 million) or 34.9% of our bank and other borrowings (including convertible bonds) was repayable within one year or on demand and RMB8,626.7 million (US\$1,272.5 million) or 65.1% was repayable beyond one year. As of June 30, 2017, our capital commitments and contingent liabilities (in the form of guarantees provided to banks for mortgage facilities granted to our customers) amounted to RMB3,677.5 million (US\$542.5 million) and RMB575.6 million (US\$84.9 million), respectively.

Our ability to repay the principal and pay the interest on our borrowings and to meet our capital commitments and contingent liabilities depends substantially on the cash flows and results of operations of our operating subsidiaries, which depend in part upon social, political, economic, legal and other risks described in this offering memorandum, most of which are beyond our control. We cannot assure you that we will have sufficient cash flows to service our borrowings, our capital commitments or our contingent liabilities. Due to property development expansion, we may also generate negative free cash flow for a sustained period. If we are not able to refinance our borrowings on commercially acceptable terms or at all, our liquidity will be adversely affected and, as a result, our results of operations, financial condition and business prospects may be materially and adversely affected.

We intend to acquire a substantive portion of our land for development through our controlling shareholder

Our controlling shareholder, Mr. Wong Hong King (“Mr. Wong”), and Shenzhen LVGEM Entity Management Group Co., Ltd. (深圳市綠景企業管理集團有限公司), a limited liability company incorporated in the PRC which is beneficially owned by Mr. Wong Hong King and his associates (“LVGEM Entity”) have provided a non-legally binding indication of interest to our Company, under which Mr. Wong and LVGEM Entity indicated their willingness to support our long-term property development strategies by transferring to us land reserves of approximately 12 million sq. m. located in Shenzhen, Zhuhai and Dongguan at appropriate times subject to, among other things, finalization of consideration, payment terms and compliance with the Listing Rules. The aforesaid indication of interest is non-legally binding and may be cancelled by Mr. Wong and LVGEM Entity at any time. We cannot assure you that Mr. Wong and LVGEM Entity will transfer such land reserves to us at appropriate times or at all. Additionally, the land reserves held by Mr. Wong and LVGEM Entity may have title defects and/or other compliance issues and as a result, we may not be able to develop such land reserves in the manner we have planned. If we are unable to acquire the necessary land from Mr. Wong and LVGEM Entity to develop our projects, we may need to resort to alternative methods to acquire land, which may significantly increase our capital expenditure, or we may not be able to acquire any land at all, either of which may materially and adversely affect our business, financial condition, results of operations and prospects. Further, as we currently own a limited number of projects our inability to acquire more projects from our controlling shareholder may limit the diversity of our projects and result in further fluctuations in our operating results.

Our acquisition of other companies may be unsuccessful and we may face intense competition when we enter into new markets

To expand our business and land bank, we may intend to continue to acquire the controlling equity interests in companies holding land use rights or companies whose businesses are supplemental to ours. However, we may face strong competition during the acquisition process and we may not be successful in selecting or valuing target companies or their land appropriately. As result, we may be unable to complete such acquisitions at reasonable cost, or at all. In addition, we may have to allocate additional capital and human resources to integrate the acquired business into our operations. In addition to acquisition risk, we may enter into new markets such as Hong Kong where competition in real estate is intense. For example, in October 2017, we entered into a sale and purchase agreement to acquire certain assets in Hong Kong which includes a non-residential development. For more information, please see the section headed “Summary – Recent Developments – Major Acquisition”. We cannot assure you that such acquisition would not have a material adverse effect on our liquidity position or debt leverage or significantly increase our financial risk. We also cannot assure you that the integration of any acquired company will be successfully completed within a reasonable period of time, or at all, or that it will generate the economic benefit that we expected.

Our financing costs may increase as a result of changes in interest rates

We have incurred and expect to continue to incur a significant amount of interest expenses relating to our borrowings from commercial banks and other financial institutions. Accordingly, changes in interest rates have affected and will continue to affect our financing costs, which in turn may affect our profitability and operating results. As most of our borrowings are in Renminbi, the interest rates on our borrowings are primarily affected by the benchmark interest rates set by the PBOC and the premiums or discounts demanded by banks, which have fluctuated significantly in recent years. The average effective interest rate on our total borrowings (including convertible bonds) were 8.6%, 7.4%, 6.2% and 6.1%,

respectively, as of December 31, 2014, 2015, 2016 and June 30, 2017. Average effective interest rates are derived by dividing the total interest costs for the relevant year or total annualized interest cost for the relevant period by average total borrowings (including convertible bonds) which is calculated by adding up of ending balances of total borrowings (including convertible bonds) in current and prior period divided by two. Our interest expenses incurred in 2014, 2015, 2016 and the six months ended June 30, 2017 were RMB591.8 million, RMB603.4 million, RMB624.1 million (US\$92.1 million) and RMB384.6 million (US\$56.7 million), respectively. The change in the effective interest rate on our total borrowings (including convertible bonds) was primarily driven by the changes in the PBOC benchmark rates. Future increases in the PBOC benchmark interest rate, the premiums or discounts demanded by banks may lead to higher lending rates, which may increase our financing costs and thereby adversely affect our business, financial condition and results of operations.

We are subject to risks associated with certain covenants or restrictions under our bank borrowings or other financing arrangements which may adversely affect our business, financial condition and results of operations

We are subject to certain restrictive covenants in the loan contracts or financing agreements between us and certain banks and financial institutions. For instance, some of our operating subsidiaries are subject to covenants that restrict them from carrying out any merger, restructuring, spin-off, reduction of registered share capital, material asset transfer, liquidation, change in shareholding or management structure, increasing their debts or establishment of any joint venture without the lenders' written consents. In addition, borrowings provided under certain loan agreements between our operating subsidiaries with banks or other financial institutions are not allowed to be used for purposes other than the specific project development as provided in the agreement. Our subsidiaries may also be subject to certain financial ratios as provided in the loan agreements or financing agreements, such as debt asset ratio lower than a certain percentage. We cannot assure you that we will be able to abide by all restrictive covenants of any of our loan agreements in the future or obtain lenders' consents or waivers in a timely manner or at all. Should we fail to abide by these provisions, our lenders may be entitled to accelerate repayment of our loans, in which case our business, financial condition and results of operations will be adversely affected.

The interests of our existing controlling shareholder may not be aligned with those of our other shareholders and holders of the notes

Mr. Wong Hong King, our controlling shareholder, had effective control of 75% of our issued share capital as of June 30, 2017. Mr. Wong also holds convertible preference shares issued by our Company. Although Mr. Wong is not involved with the management and operations of our Company, he is able to significantly influence most matters requiring our shareholders' approval, including the election of directors and the approval of significant corporate transactions, including mergers and acquisitions. He also has a veto power with respect to any shareholder action or approval requiring a majority vote. The interests of Mr. Wong may not be consistent with our interests or those of our creditors, including holders of the Notes. To the extent that there are conflicts of interest between Mr. Wong and our Company or our creditors, we cannot assure you that Mr. Wong will not cause us to enter into transactions or take, or omit to take, other actions or make decisions that conflict with the best interests of our creditors, including holders of the Notes.

If we are unable to obtain the land use rights for current projects or for projects we may acquire in the future, we will not be able to develop these projects

There is no private ownership of land in China and all land ownership is held by the government of China, its agencies, and collectives. Under PRC laws, the maximum term of the land use rights ranges

from 40 years to 70 years depending on the land use purpose. Upon expiration, the land use rights will revert to the PRC government unless the holder of the land use rights applies for and is granted an extension of the term of the land use rights. Land use rights can be granted upon approval by the land administrative authorities of China (State Land Administration Bureau) upon payment of the required land granting fee, the entry into a land use agreement with a competent governmental authority and certain other ministerial procedures. We cannot assure you that we will be successful in obtaining the land use right certificates for our projects held for future development or in respect of any land we may acquire in the future in a timely manner, at a commercially reasonable price, or at all. If we are not successful in obtaining the land use rights for such land, we will not be able to develop such properties, which may adversely and materially affect our business, financial condition and results of operations.

Our expansion into new geographical markets within and outside of China presents certain risks and uncertainties

In order to achieve sustainable growth, we continue to seek development opportunities in select regions in the PRC with the potential for growth and where we have no existing operations, as well as in markets outside of the PRC such as Hong Kong and the United States. We may not be able to identify geographic locations with sufficient growth potential to expand our market reach or operate our new projects. For the geographic locations we select, we may also face intense competition from developers with established experience or presence and from other developers with similar expansion plans. As we may face challenges not previously encountered, we may fail to recognize or properly assess risks or take full advantage of opportunities. Furthermore, our experience in existing markets and our business model, including our Zoll and NEO brands and method of primarily obtaining land through urban redevelopment, may not be readily transferable to, and replicated in, new markets in our target cities. The property markets in our target cities may be different from each other in terms of the level of local economic and industrial development, local governmental policies and support, development phases of local businesses, market demand for our properties, types of properties to be developed and development cycles. We may have limited ability to leverage our established brands and reputation in new markets in the way we have done in our existing markets. Furthermore, the administrative, regulatory and tax environments in our target cities may be different from each other and we may face additional expenses or difficulties in complying with new procedures and adapting to new environments in the new markets. In addition, we may not have the same level of familiarity with local governments, business practices, regulations and customer preferences as other local and more experienced property developers in such cities, which may put us in a disadvantageous position.

We may not be able to successfully manage our growth

As we continue to expand, we will have to continue to improve our managerial, development and operational expertise and allocation of resources. To effectively manage our expanded operations, we will need to continue to recruit and train managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy our property development requirements, including staff with local market knowledge. In order to fund our ongoing operations and our future growth, we need to have sufficient internal capital sources or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of purchasers, tenants, suppliers, contractors, service providers, lenders and other third parties. Accordingly, we will need to further strengthen our internal controls and compliance functions to ensure that we are able to comply with our legal and contractual obligations and to reduce our operational and compliance risks. We cannot assure you that we will not experience issues such as capital constraints, construction delays and operational difficulties at new business locations. We may also experience difficulties in expanding our existing business and operations and training an increasing number of personnel to manage and operate the expanded business.

Changes in fair value of our investment properties and certain derivative instruments could affect our profit

As of June 30, 2017, the fair market value of our investment properties amounted to RMB12,399.9 million (US\$1,829.1 million). Our investment property portfolio may increase in the future. Investment properties are generally illiquid. As a result, our ability to sell our investment properties in response to changing economic, financial and investment conditions is limited. We cannot assure you that we will be able to sell any of our investment properties at prices or on terms satisfactory to us, if at all. We cannot predict the length of time needed to find purchasers to purchase such investment properties. In addition, should we decide to sell a property which is subject to a tenancy agreement, we may have to obtain consent from or pay termination fees to the tenants. We may also need to incur capital expenditures to manage and maintain our properties, or to correct defects or make improvements to these properties before selling them. We cannot assure you that financing for such expenditures would be available when needed, or at all. Furthermore, aging of investment properties, changes in economic and financial condition, such as changes in interest rates, or changes in the competitive landscape in the PRC property market may adversely affect the amount of rentals and revenue we generate from, as well as the fair value of, our investment properties, either completed or under development. However, our ability to convert any of our investment properties to alternative uses is limited as such conversion requires extensive governmental approvals in the PRC and involves substantial capital expenditures for the purpose of renovation, reconfiguration and refurbishment. We cannot assure you that such approvals and financing can be obtained when needed. These and other factors that impact our ability to respond to adverse changes in the performance of our investment in properties may adversely affect our business, financial condition and results of operations. We are also required to reassess the fair value of any investment properties that we hold semi-annually. Gains or losses arising from changes in the fair value of any such investment properties will be reflected in our results of operations in the period in which they arise. The fair value gains on our investment properties in 2014, 2015, 2016 and the six months ended June 30, 2017 were RMB887.6 million, RMB426.8 million, RMB247.5 million (US\$36.5 million) and RMB175.8 million (US\$25.9 million), respectively. We cannot assure you that we can recognize comparable fair value gains in investment properties in the future and we may also recognize fair value losses, which would impact our result of operations for future periods.

Changes in the fair value of derivative instruments and other assets or liabilities that are marked to market could similarly cause volatility in our earnings. Derivative financial instruments are recognized as either assets or liabilities and are measured at fair value. Changes in fair value are recognized either in earnings or equity, depending on whether the transaction qualifies for cash flow hedge accounting, and if so, how effective the derivatives are at offsetting price movements in the underlying exposure. These valuation adjustments would not change our cash position, and the unrealized gains would not increase our liquidity in spite of the increased profit. On the other hand, unrealized losses would have a negative effect on our result of operations, even though such losses would not change our cash position.

Our business is sensitive to general economic conditions. A severe or prolonged downturn in the global or China's economy could materially and adversely affect our business and our financial condition

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. For example:

- the economic slowdown and tightened credit have resulted in lower demand for residential and commercial properties and declining property prices; and
- the tightening of credit has negatively impacted the ability of property developers and potential property purchasers to obtain financings.

More recently, global market and economic conditions have continued to be adversely affected by the ongoing credit crisis in Europe, the credit rating downgrade of the United States and heightened market volatility in major stock markets. On June 23, 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 UK, the EU and globally. The uncertainty before, during and after the period of negotiation may also create a negative economic impact and increase volatility in global markets.

Economic conditions in China are sensitive to global economic conditions. Since we derive, and expect to continue to derive, substantially all of our revenues from China, and both the residential and commercial property markets tend to be very sensitive to overall economic conditions, our business and prospects may be affected by the economic conditions in China. For example, in May 2017, Moody’s Investors Service downgraded China’s sovereign credit rating for the first time since 1989 and changed its outlook from stable to negative, citing concerns on the country’s rising levels of debt and expectations of slower economic growth. In September 2017, S&P Global Ratings downgraded China’s sovereign credit rating for the first time since 1999, citing similar concerns. The full impact of such actions by international rating agencies remains to be seen, but the perceived weaknesses in China’s economic development model, if proven and left unchecked, would have profound implications. If China’s economic conditions worsen, or if the banking and financial systems experience difficulties from over-indebtedness, businesses in China may face a more challenging operating environment. We cannot assure you that reductions in office space needs and residential property spending will not occur. A decline in the economic prospects of our current and potential tenant customers and residential property purchasers or the economy in general could reduce their needs for our products and services. Therefore, any prolonged slowdown in the global or China’s economy may materially and adversely affect our financial condition and results of operations. In addition, the weak economy could weaken investor confidence, which constitutes the basis of the credit markets. Renewed financial turmoil affecting the financial markets, banking systems or currency exchange rates may significantly restrict our ability to obtain financing in the capital markets or from financial institutions on commercially reasonable terms, or at all, which could also materially and adversely affect our business, results of operations and prospects.

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

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

We principally fund our property developments from a combination of internal funds, borrowings from banks and proceeds from sales and pre-sales of our properties. Our ability to obtain external financing in the future and the cost of such financing are subject to uncertainties beyond our control, including:

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

- changes in policies regarding regulation and control of the real estate market.

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

- the People's Bank of China ("PBOC") has adjusted the Renminbi reserve requirement ratio several times since 2010, first upward to a peak of 21.5% and more recently downward to the level of 16.5%;
- the PBOC has adjusted the benchmark one-year bank lending rate many times since 2008;
- commercial banks and trust financing companies shall not grant loans to property developers to pay land premiums;
- the State Council has issued guidelines requiring that at least (i) 20% of total investment in property projects is for affordable housing and commodity housing; and (ii) 25% of the total investment for all other types of property projects is funded by the developer's own capital;
- the CBRC has issued rules governing the establishment, operation and financing activities of trust financing companies in 2007, including the provision of such financing to property developers; and
- Asset Management Association of China issued guidelines restricting private asset management schemes to invest in the ordinary residential real estate projects in cities that have highly active real estate markets, including Shenzhen and Suzhou.

For further information, please refer to the sections headed "Industry Overview" and "Regulation" in this offering memorandum. The above measures and other similar government actions and policy initiatives have limited our ability and flexibility in using bank loans and other borrowing arrangements to finance our property projects. We cannot assure you that the PRC government will not introduce other initiatives, which may further limit our access to capital and the ways we finance our property projects, or that we will be able to secure adequate financing or renew our existing credit facilities prior to their expiration on commercially reasonable terms, or at all.

Our operations are subject to extensive government policies and regulations and, in particular, we are susceptible to adverse changes in policies related to the PRC property industry and in regions in which we operate

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

In recent years, the PRC Government implemented a series of regulations and policies to slow down the property market and inflation of property prices, as well as to dampen property speculation. These policies may limit our ability to obtain financing, acquire land for future developments, sell our properties at a profit or generate sufficient operating cash flows from contracted sales. As a result of the various measures implemented by the PRC government since 2011, including but not limited to, increasing the down payment requirements and mortgage rates for second-time residential property purchasers, and imposing limits on the number of residential properties local and foreign residents may purchase, the growth rate of the total transaction volumes for properties in the cities where we build residential properties may decline. In addition, since 2011, various cities have promulgated measures to further control the property markets. PRC banks also tightened mortgage lending in general, which has affected demand in the property markets. If mortgage financing for property purchases becomes more difficult to obtain or if the costs of such financing increase, our prospective customers who rely on such mortgage financing may not be able to purchase our properties, which in turn may materially and adversely affect our business, liquidity and results of operations.

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

The terms on which mortgages are available, if at all, to purchasers of properties may affect our sales.

Most purchasers of residential properties rely on mortgages to fund their purchases. An increase in interest rates may 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 requirement, impose other conditions or otherwise change the regulatory framework in a manner which would make mortgage financing unavailable or unattractive to potential property purchasers. For example, the PBOC reduced its benchmark rate five times in 2015, resulting in a decrease in the one-year benchmark lending rate from 5.60% on 1 January 2015 to 4.35% on 31 December 2015. The PBOC benchmark one-year lending rates in the PRC as of December 31, 2016 was 4.35%. There is no assurance that the PBOC will not raise the benchmark rates in the future. If the availability or attractiveness of mortgage financing is reduced or limited, some of our prospective customers may not be able to purchase our properties and, as a result, our business, results of operations and financial condition could be adversely affected.

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

The property industry in the PRC is heavily regulated. Property developers must abide by various laws and regulations, including rules stipulated by national and local governments to enforce these laws and regulations. To engage in property development and management operations, we must apply to the relevant government authorities to obtain (and renew for those relating to on-going operations) various licenses, permits, certificates and approvals upon different property development stages, including but not limited to, qualification certificates, land use rights certificates, construction work commencement

permits, construction work planning permits, construction land planning permits, pre-sale permits and completion certificates. We must meet specific conditions in order for the government authorities to issue or renew any certificate or permit and we cannot assure you that we will obtain in time. See “Regulation.”

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

We face risks related to the pre-sale of properties from any potential limitation and restriction imposed by the PRC government and claims from customers in the event the pre-sold properties are not delivered on time or completed

PRC laws allow property developers to pre-sell properties prior to their completion upon satisfaction of certain requirements. We depend on cash flows from pre-sale of properties as an important source of funding for our property projects. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sale of properties and may use pre-sale proceeds only to finance the development project where the pre-sold properties are located. We cannot assure you that the PRC national or local government will not in the future adopt a limitation, restriction or abolishment of the pre-sale practice in the commercial or residential property industry. Any such measure will adversely affect our cash flow position and require us to seek alternative sources of funding for much of our property development business.

In addition, the pre-sale of our properties carries certain risks. We make certain undertakings in our pre-sale contracts, and our pre-sale contracts and the PRC laws and regulations provide for remedies for breach of these undertakings. For example, if we fail to complete a pre-sold property on time, we may be liable to the relevant customers for such late delivery under the relevant pre-sale contracts or pursuant to relevant PRC laws and regulations. If our delay extends beyond a specified period, the purchasers may terminate their pre-sale contracts and claim for damages. A customer may also refuse to accept the delivery or even terminate the pre-sale contracts if the GFA of the relevant unit, as set out in the individual property ownership certificate, deviates by more than 3% from the GFA of that unit set out in his or her contract. There can be no assurance that we will not experience any delays in the completion and delivery of our properties, or that the GFA for a delivered unit will not deviate more than 3% from the GFA set out in the relevant pre-sale contract. Any of such factors could have a material adverse effect on our business, financial condition and results of operations.

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

Under PRC laws and regulations, if we fail to develop a property project according to the terms of the land grant contract, including those relating to the payment of land premiums and other fees, the specified use of the land and the time for commencement and completion of the property development, the PRC government may issue a warning, impose a penalty, or reclaim our land. Specifically, under the land grant contract, if we fail to pay any outstanding land premiums by the stipulated deadline, we may be subject to a late payment penalty. If we fail to fully pay the land premiums within the period stipulated in the land grant contract after the land grant contract became effective, the assignor is entitled to

terminate the land grant contract and claim for indemnities. Furthermore, 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 land authorities may serve a decision on levy of idle land fee on us and impose an idle land fee of up to 20% of the land premium. If we fail to commence development for more than two years, the land is subject to forfeiture unless the delay in development is caused by government actions or by force majeure. Moreover, even if we commence development of the land in accordance with the land grant contract, if the area of the developed land is less than one-third of the total site area of the land, or if the total capital expenditure is less than one-fourth of the total investment of the project, and the development of the land is suspended for over one year without government approval, the land will still be treated as idle land. In the Notice on Promoting the Saving and Intensification of Use of Land (國務院關於促進節約集約用地的通知) promulgated by the State Council in 2008, the aforesaid policy was reinforced. This notice states, among other things, that the Ministry of Land and Resources (“MLR”) and other authorities are required to conduct research on and commence drafting of implementation rules concerning the levy of land appreciation fees on idle land. Furthermore, the MLR issued a Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (關於嚴格建設用地管理促進批而未用土地利用的通知) in August 2009, which reiterates the current rules regarding idle land. In September 2010, the MLR and the Ministry of Housing and Urban-Rural Development (“MOHURD”) jointly issued the Notice On Further Strengthening the Administration and Control of Real Estate Land and Construction (關於進一步加強房地產用地和建設管理調控的通知), which provides that a property developer and its shareholders will be prohibited from participating in land bidding before any non-compliance or illegal behaviors in which it engages, such as (1) land idle for more than one year on its own reasons, (2) illegal transfer of land use rights, (3) non-compliance with the land development requirements specified in a land grant contract, and (4) crimes such as taking land by forging official documents and illegal land speculation, have been completely rectified. We cannot assure you that circumstances leading to imposition of penalty, liquidated damages or forfeiture of our land will not arise in the future. If we are deemed as holding any land idle for more than one year without cause or are required to forfeit land, we may lose the opportunity to develop the relevant land, our investments in the land, including land premiums paid and development costs incurred, and our ability to bid for other land in the future, any of which could materially and adversely affect our business prospects, results of operations and financial condition.

On July 19, 2012, the MLR and the MOHURD promulgated the Urgent Notice on Further Tightening the Management of Land for Real Estate and Consolidating the Achievements of Regulation and Control of the Real Estate Market 《國土資源部住房城鄉建設部關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知》. The notice provides that all regions shall strictly implement the Measures for the Disposal of Idle Land, deal with the early warning information on idle land displayed in the system for the monitoring and supervision of transactions in the land market, early discover and handle such information, and urge the timely formation of effective supply of land granted. With regard to users who have committed acts such as failing to make payment for land granting, leaving land idle, hoarding land and land speculation, developing land in excess of their actual development capacity or failing to fulfil a land use contract, the competent departments of land and resources of counties and cities shall forbid them from participating in land bidding within a certain period of time.

The progress and costs of a property development project may be materially and adversely affected by many factors, including: (i) delays in obtaining necessary licences, permits or approvals from PRC government agencies or authorities; (ii) changes in property market conditions; (iii) changes in PRC government policies, regulations and/or measures; (iv) relocation of existing residents and/or demolition of existing structures; (v) shortages or increased costs of materials, equipment, contractors and skilled labour; (vi) labour disputes; (vii) construction accidents; (viii) natural disasters or catastrophes; and (ix) adverse weather conditions. We cannot assure you that we will not experience construction delays or

failure to start the construction of a property development project according to its planned specifications, schedule or budget as a result any such factors, or that the Group will not be subject to any liabilities for any such delays. We may fail to commence development of our projects on time as a result of such factors and in turn, we may be subject to penalties or the land involved may be treated as idle land. Any such event could have a material adverse effect on the our business, financial condition and results of operations.

We cannot assure you that regulations relating to idle land in China will not become more restrictive in the future. If we fail to comply with the terms of land grant contracts due to delays in our developments, or as a result of factors out of our control, we may not only lose the opportunity to develop the projects on such land, but may also lose all of our past investments in the land, which would materially and adversely affect our business, financial condition and results of operations.

We may not be able to complete our development projects according to our budget or on time, or at all, which may lead to loss of or delay in recognizing revenues, lower profitability and claims from customers

Completion of property development projects requires substantial capital expenditures for, among other things, land acquisition and construction. The construction of property projects may take over a year or longer before they could generate positive net cash flow through pre-sales, sales and leasing. Furthermore, depending on the type of properties and the revenue generated, it may take a year or more after the completion of these properties before we recognize revenue from such projects. As a result, our cash flows and results of operations may be significantly affected by our project development schedules and any changes to those schedules and that our developments are completed within the planned budget. The schedules of our project developments and whether the project can be completed within the planned budgets depend on a number of factors, including the performance and efficiency of our third-party contractors and our ability to finance construction and the associated financing costs. Other specific factors that could adversely affect our project development schedules and budgets include:

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

Construction delays or failure to complete the construction of a project according to its planned specifications, schedule and budget may harm our reputation as a property developer, lead to loss of or delay in recognizing revenues and lower returns. If a property project is not completed on time, the purchasers of pre-sold units may be entitled to compensation for late delivery or may be able to terminate the pre-sale agreements and claim damages. See “— We face risks related to the pre-sale of properties from any potential limitation and restriction imposed by the PRC government and claims from customers in the event the pre-sold properties are not delivered on time or completed.” We cannot assure you that we will not experience any significant delays in completion or delivery of our projects in the future or that we will not be subject to any liabilities for any such delays.

In addition, any changes in the schedule of delivery of our properties will impact the revenue recognition of sales of properties due to a timing mismatch between pre-sales of our properties and revenue recognition. As a result, our profitability may fluctuate or decline during certain periods when limited amount of properties are delivered despite the fact that significant amount of properties have been pre-sold.

Our results of operations depend on a number of factors, including the schedule of our property development and the timing of property sales, which may vary significantly from year to year

We sell certain of our properties for the immediate return of capital to fund our business, operations and expansion plans, strategically retaining other properties for stable recurring rental income and long-term capital appreciation. Our results of operations may fluctuate due to factors such as the schedule of our property development projects and the timing of property sales.

We generally recognize revenue from the sale of our properties upon delivery to purchasers. There is a time difference between pre-sales of projects under development and the completion of property construction. Because the timing of completion of its properties varies according to its construction timetable, our results of operations may vary significantly from period to period depending on the GFA sold or pre-sold, and the timing between its pre-sales and completion and the delivery of the properties to purchasers. Periods in which we pre-sell a large amount of aggregate GFA, may not be periods in which we generate a correspondingly high level of revenue, if the properties pre-sold are not completed and delivered within the same period. The effect of timing of delivery on our operational results is accentuated by the fact that during any particular period of time we can only undertake a limited number of projects due to substantial capital requirements for land acquisition and construction costs.

Fluctuations in our operating results may also be caused by other factors, including fluctuations in costs and expenses, such as land grant premium, development costs, administrative expenses, and selling and marketing expenses, and changes in market demand for our properties. Additionally, our projects are currently concentrated in certain areas, such as Shenzhen, and our main acquisition focus is on urban redevelopment projects. Each project involves a number of risks which may create volatility in our results of operations. As a result, our period-to-period comparisons of results of operations and cash flow positions may not be indicative of our future results of operations and may not be taken as meaningful measures of our financial performance for any specific period. If our operating results in one or more periods do not meet the market's expectations, the price of our securities, including the Notes could be materially adversely affected. In addition, the cyclical property market of the PRC affects the optimal timing for the acquisition of land, the planning of development and the sales of properties. This cyclicity, combined with the lead time required for the completion of projects and the sales of properties, means our results of operations relating to property development activities may be susceptible to significant fluctuations from period to period. Furthermore, our property development projects may be delayed or adversely affected by a combination of factors beyond our control, which may in turn adversely affect our revenue recognition and consequently our cash flow and results of operations.

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

We derive a substantial portion of our revenue from sales of our properties and most of our purchasers apply for bank borrowings and mortgages to fund their purchases. Therefore, the availability of mortgages to our prospective purchasers would significantly affect our results of operations and financial condition. In accordance with industry practice, commercial banks require us to guarantee mortgage loans offered to purchasers of the properties that we develop. Guarantees for such mortgages are generally discharged at the earlier of: (i) registration of mortgage interest to the bank, or (ii) the settlement

of mortgage loans between the mortgagee banks and the purchasers. In addition, we are required by the banks to place a security deposit to secure our guarantee obligations. If a purchaser defaults on the mortgage loan, we are typically required to purchase the underlying property by paying off the mortgage loan with any accrued and unpaid interest and penalty based on the loan agreement. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. Such amount may also be settled through withholding the security deposit we place with the banks. In line with the industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. These are contingent liabilities not reflected on our statements of financial position. Should we be called upon to meet the obligation underlying such contingent liabilities, we may not have sufficient cash flow to do so.

We may be adversely affected by the performance of third-party contractors

We engage third-party contractors to carry out various services relating to our property development projects. We generally select third-party contractors through a tender process and endeavor to engage third-party companies with a strong reputation and track record, high performance reliability and adequate financial resources. However, any such third-party contractor may still fail to provide satisfactory services at the level of quality or within the timeline required by us. In addition, completion of our property developments may be delayed, and we may incur additional costs, due to a contractor's financial or other difficulties. If the performance of any third-party contractor is not satisfactory, we may need to replace such contractor or take other remedial actions, which could adversely affect the cost structure and development schedule of our projects and could have a negative impact on our reputation, credibility, financial position and business operations. In addition, as we are expanding our business into other geographical locations in the PRC, there may be a shortage of third-party contractors that meet our quality standards and other selection criteria in such locations and, as a result, we may not be able to engage a sufficient number of high-quality third-party contractors in a timely manner, which may adversely affect the construction schedules and development costs of our property development projects.

The relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations and our LAT provisions and prepayments may not be sufficient to meet our LAT obligations

In accordance with PRC regulations on LAT, all persons including companies and individuals that receive income from the sale or transfer of land use rights, properties and their attached facilities are subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of the property. In 2014, 2015 and 2016, the approximate amount of LAT we paid was RMB30.6 million, RMB190.4 million and RMB341.8 million (US\$50.4 million), respectively. Pursuant to Notice on Issues concerning the Administration of the Settlement of LAT of Real Estate Development Enterprises (國家稅務總局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) issued by the State Administration of Taxation, effective on February 1, 2007, a taxpayer under any of the following circumstances shall settle the land appreciation tax: (a) where construction and sale of the real estate development project have both been completed; (b) where a real estate development project that has neither been completed nor undergone final accounts is transferred as a whole; or (c) where there is a direct transfer of the land-use right. Taxpayers satisfying the aforesaid conditions shall, within ninety (90) days after the settlement conditions are satisfied, fulfill the settlement formalities with the competent tax authorities.

We make provisions for the full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations from time to time pending settlement of the same with the relevant tax authorities. As we often develop our projects in several phases, deductible items for calculation of LAT, such as land costs, are apportioned among such different phases of development. Provisions for LAT are made on our

own estimate based on, among others, our own apportionment of deductible expenses which are subject to final confirmation by the relevant tax authorities upon settlement of LAT. However, given the time gap between the point at which we make provision for and the point at which we settle the full amount of LAT payable, the relevant tax authorities may not necessarily agree with our own apportionment of deductible expenses or other bases on which we calculate LAT. As a result, our LAT expenses as recorded in a particular period may require subsequent adjustments. In 2014, 2015, 2016 and the six months ended June 30, 2017, we recorded approximately RMB472.4 million, RMB50.4 million, RMB694.9 million (US\$102.5 million) and RMB2.5 million (US\$0.4 million), respectively, as current tax on LAT expenses. If we substantially underestimated LAT for a particular period, our LAT provisions and prepayments may not be sufficient to meet our LAT obligations and a payment of the additional LAT assessed and levied on us by the tax authorities could adversely affect our financial results for a subsequent period.

We are subject to a higher tax rate as a result of the full-fledged levy of value-added tax on revenue from a comprehensive list of service sectors

Pursuant to the Notice on Adjustment of Transfer Business Tax to Appreciation Tax (關於全面推開營業稅改徵增值稅試點的通知) issued on March 23, 2016 and implemented on May 1, 2016, or Circular 36, by the Ministry of Finance and SAT, effective from May 1, 2016, the PRC tax authorities have started imposing value-added tax on revenues from various service sectors, including real estate, construction, financial services and insurance, as well as other lifestyle service sectors, to replace the business tax that co-existed with the value-added tax for over 20 years. Since the issuance of Circular 36, the Ministry of Finance and SAT have subsequently issued a series of tax circulars in March and April 2016 to implement the collection of value-added tax on revenues from construction, real estate, financial services and lifestyle services. Unlike the business tax, the value-added tax will only be imposed on added value, which means the input tax incurred from our construction and real estate will be able to be offset by the output tax. The value-added tax rates applicable to us may be generally higher than the business tax rate we were subject to prior to the implementation of Circular 36. For example, the value-added tax rate for sale of self-developed real estate projects will be increased from 5%, which was the applicable business tax rate, to 11%. However, details of implementation measures are still being formulated in accordance with Circular 36. We are still in the process of assessing the comprehensive impact of the new value-added tax regime on our tax burden, our revenue and results of operations, which remains uncertain.

Fluctuations in the cost of labor and construction materials could adversely affect our business and financial performance

The cost of construction materials, such as steel, cement and labor costs, are subject to high degree of volatility. As most of our major construction contracts are based on pre-agreed unit cost, the risk of fluctuations in construction materials and labor costs during the terms of the contracts are absorbed by our construction contractors to a large extent as they are responsible for purchasing most of the construction materials and bear relevant labor costs during the terms of the relevant contracts. However, if there is any significant increase in the cost of construction materials and labor costs, our construction contractors may renegotiate construction fees or we may be subject to higher construction fees when our existing construction contracts expire. If any of these occurs, our business, financial condition and results of operations may be materially and adversely affected.

Our property development business is 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), which became effective on January 30, 2000, all property developers in the PRC must provide certain quality warranties for the properties they construct or sell. We are required to provide these warranties to our customers. Generally, we receive quality warranties from the third-party contractors we hire with respect to our property projects. If a significant number of claims were brought against us under our warranties and if we were unable to fully cover our liabilities by enforcing the relevant quality warranties against the third-party contractors in a timely manner, or at all, or if the money retained by us to cover our payment obligations under the quality warranties is not sufficient, we could incur significant expenses to resolve such claims or face delays in remedying the related defects, which could in turn harm our reputation, and materially adversely affect our business, financial condition and results of operations.

We incur maintenance and operating costs in operating our investment properties and hotels, and such costs may increase

Our urban complexes, lifestyle and shopping centers and hotels utilize a large amount of utilities such as gas, water and electricity. We are generally not able to influence the prices which utility providers charge, nor can we easily switch to different utility providers. Any price increase or change in the pricing structure from these utility providers could have an adverse effect on our operating costs. As a result, increases in the prices of products and services which we procure to maintain our services to our tenants and guests could increase our operating costs if we are unable to pass such increases on to our customers. In addition, the operation of our investment properties and our hotels, as well as the restaurants and other associated facilities within the hotels, involves a significant amount of fixed costs, including maintenance and upkeep costs as well as employee and staff salaries and expenses. These fixed costs limit our ability to respond to adverse market conditions by minimizing costs. Such limitations may have an adverse impact on our profitability when the property leasing and hotel industries experience a downturn and may exacerbate the impact of a decline in occupancy rates, rental rates or room rates or demand for our restaurants and catering facilities. Any significant increase in maintenance costs and operating costs may have a material and adverse effect on our business, financial condition, results of operations and prospects.

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

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

We may face certain risks of defects or deficiencies in connection with our investment properties and hotels and any accidents, injuries or prohibited activities in our investment properties and hotels may adversely affect our reputation and subject us to liabilities

Our investment properties and hotels may have defects or deficiencies requiring significant capital expenditures, repair or maintenance expenses or payment of other obligations to third parties. If any of our investment properties or hotels has design construction or other latent property or equipment defects, then repairs, maintenance or, if necessary, replacements may need to be carried out to rectify these defects. In addition, wear and tear of our investment properties and hotels or adverse weather conditions could result in defects requiring repairs or replacement. Such defects and/or the repair, maintenance or replacement works carried out to rectify them could increase our costs and could have an adverse effect on the operations of our investment properties and hotels and/or the attractiveness to tenants and guests of such investment properties and hotels.

There are inherent risks of accidents, injuries or prohibited activities (such as illegal drug use, gambling, violence or prostitution by guests and infringement of third parties' intellectual property or other rights by our tenants) taking place in public places, such as shopping malls and hotels. The occurrence of one or more accidents, injuries or prohibited activities at any of the investment properties or hotels could adversely affect our reputation among customers and guests, harm our brand, decrease our overall rents and hotels occupancy rates and our costs by requiring us to implement additional safeguard measures. In addition, if accidents, injuries or prohibited activities occur at any of our investment properties or hotels, we may be held liable for costs, damages and fines. Our current property and liability insurance policies may not provide adequate or any coverage for such losses and we may be unable to renew our insurance policies or obtain new insurance policies without increases in premiums and deductibles or decreases in coverage levels, or at all.

Our investment properties and hotels may encounter temporary closures, reduced turnover or lower occupancy rates as a result of repairs, refurbishments and/or the redevelopment or renovation of the properties or neighboring properties

Our investment properties and hotels may require repairs and refurbishments which may require significant capital expenditures. Our investment properties and hotels may also need to undergo redevelopment or renovation works from time to time to retain their attractiveness and may also require maintenance or repairs. Such repairs, refurbishments, redevelopments or renovations of our investment properties and hotel may impact on our ability to attract tenants at our investment properties and guests and customers for our restaurants and event facilities at our hotel. In some circumstances, such repairs, refurbishments, redevelopments or renovations may require the temporary closure of an investment property or hotel or the restaurants or other facilities within the investment property or hotel. As a result, during the period of any such repairs, refurbishments, redevelopments or renovations, we may experience a reduction in the occupancy rates, rental income and/or average room rates of the investment properties or hotels.

Furthermore, buildings neighboring any of our investment properties and hotel may be demolished or redeveloped for alternative uses, which may cause disruption to our investment properties and hotel. This may in turn negatively impact the revenue, attractiveness and valuation of our investment properties and hotels. Furthermore, any development or redevelopment of neighboring properties could add properties that compete with our investment properties and hotels. The occurrence of any of the above circumstances could have a material and adverse effect on our business, financial condition, results of operations and prospects.

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

Any failure to protect our brand and trademarks could have a negative impact on the value of our brand names and adversely affect our business.

We believe our brand, trademarks and other intellectual property rights will be critical to our success. Any unauthorized use of our brand, trademarks or other intellectual property rights could harm our competitive advantages and business. Our efforts in protecting our brand and intellectual property rights may not always be effective. We intend to file applications to register any trademarks in China, but may not be able to register such marks or register them within the category it seeks. Historically, China has limited legal protection in intellectual property rights, and infringement of intellectual property rights continues to pose a serious risk to businesses operating in China. Monitoring and preventing unauthorized use are difficult. The measures we may take to protect our intellectual property rights may not be adequate. Further, the application of laws governing intellectual property rights in China is uncertain and evolving and could involve substantial risks to us. As the right to use Internet domain names is not rigorously regulated in China, other companies may incorporate in their domain names elements similar in writing or pronunciation to our potential trademarks and domain names. Our business could be materially and adversely affected if we could not adequately protect our brand, trademarks, and other intellectual property.

The total GFA of some of our property developments may not be indicative of the actual GFA

The total GFA of our projects under development, projects held for future development and projects planned to be redeveloped or contracted to be acquired for future development are based on our Company's estimates. As a result, the final constructed GFA of those projects may deviate from the estimated GFA, which may adversely affect our business.

The total GFA of some our property developments may be different from the original authorized area

When granting land use rights for a parcel of land, the government specifies in the land grant contract the permitted total GFA that the developer may develop on the land. In addition, the total GFA is set out in the relevant urban planning approvals and construction permits. However, the actual GFA constructed may be different from the total GFA authorized in the land grant contract or relevant construction permits due to factors such as subsequent planning and design adjustments. The actual GFA may be subject to approval when the relevant authorities inspect the properties after completion. The developer may be required to pay additional land premium and/or administrative fines or take corrective actions in respect of the adjusted land use and excess GFA before a completion certificate (工程竣工验收备案表) can be issued to the property developer. The methodology for calculating the additional land premium is generally the same as that in the original land grant contract. If issues related to excess GFA cause delays in the delivery of our properties, we may also incur liability to purchasers under our sales and purchase agreements. There can be no assurance that the constructed total GFA for each of our existing projects under development or any future property developments will not exceed the permitted total GFA. Any of these factors may adversely affect our business.

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

The growth and success of our business depend significantly on certain members of our board and senior management. See "Management." In addition, several other members of our management have served us for many years and have played, and are expected to continue to play, key roles in making major business decisions. If we lose the services of any of our senior management for any reason, we may not be able to find suitable replacements for them in the short time. As competition in the PRC for senior management and key personnel with experience in property development is intense and the pool of qualified candidates is limited, we may not be able to retain the services of our key personnel, or hire, train

and retain high quality senior executives or other skilled employees in the future. In addition, if any director or any member of our senior management team or any of our other key personnel joins a competitor or carry on a competing business, we may lose customers and key professionals and staff members. Furthermore, as our business continues to grow, we will need to recruit and train additional qualified persons. If we are unable to successfully retain the services of our current key personnel and hire, train and retain senior executives and other skilled employees, our ability to develop and successfully market our products could be harmed and our business and prospects could be adversely affected.

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

We are subject to a variety of laws and regulations concerning the protection of health and the environment. Environmental laws can prohibit or severely restrict property development activities in environmentally sensitive regions or areas. Compliance with health and environmental laws and conditions may result in delays, may cause us to incur substantial compliance and other costs and can severely restrict project development activities in environmentally sensitive regions or areas. Please refer to the sections headed “Business — Environmental and Safety Matters” and “Business — Legal Proceedings” in this offering memorandum for details.

As required by PRC laws, independent environmental consultants have conducted environmental impact assessments at all of our construction projects and environmental impact assessment documents were submitted to the relevant government authorities for approval before commencement of construction. The local authorities may request a developer to submit the environmental impact assessment documents, issue orders to suspend the construction and impose a penalty for a project with respect of which environmental impact assessment documents have not been approved before commencement of construction. It is possible that there may be material environmental liabilities of which we are unaware, and which may have a material and adverse impact on our business.

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

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

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

Under PRC laws, construction companies bear the primary civil liability for personal injuries arising out of their construction work. The owner of a property under construction may also bear liability supplementary to the liability of the construction company if the latter is not able to fully compensate the injured. The owner of the property may also bear civil liability for personal injuries, accidents and death if such personal injuries, accidents or death are caused by the fault of such owner.

Consistent with what we believe to be the industry norm for the property development industry in the PRC, we do not maintain insurance coverage against destruction of or damage to our properties, no matter whether they are under development or held for sale other than those over which our lending banks have securities interests or for which we are required to maintain insurance coverage under the relevant loan agreements. If we suffer any losses, damages or liabilities in the course of our business operations, we may not have adequate insurance coverage to provide sufficient funds to cover any such losses, damages or liabilities or to replace any property that has been destroyed. Therefore, there may be instances when we will sustain losses, damages and liabilities because of our lack of insurance coverage, which may in turn adversely affect our financial condition and results of operations. See “Business — Insurance.”

RISKS RELATING TO OUR INDUSTRY

The PRC property market is heavily regulated and subject to frequent introduction of new regulations, including measures by the PRC government to slow down the growth of the property sector, which may adversely affect property developers

The PRC government exerts considerable direct and indirect influence on the growth and development of the PRC property market through industry policies and other economic measures such as setting interest rates, controlling the supply of credit by changing bank reserve ratios and implementing lending restrictions, increasing tax and duties on property transfers and imposing foreign investment and currency exchange restrictions. From 2007 to 2016, the PRC government introduced a series of regulations and policies designed to generally control the growth of the property market, including, among others:

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

In particular, the PRC government also introduced the following policies, among others, to specifically control the growth of the residential property market:

- limiting the maximum amount of monthly mortgage and the maximum amount of total monthly debt service payments of an individual borrower;
- imposing a VAT levy on the sales proceeds for second-hand transfers subject to the length of holding period and type of properties;
- increasing the minimum amount of down payment of the purchase price of the residential property of a family;
- tightening the availability of individual housing loans in the property market to individuals and their family members with more than one residential property;
- limiting the availability of individual housing provident fund loans for the purchase of second (or more) residential properties by laborers and their family members;

- adjusting the supply of residential land; and
- improving the system for information disclosure on the real estate market.

Administrative authorities in Shenzhen and Suzhou also strengthened supervision on the price of the commodity housing market.

See “Regulation.”

Following a downturn in the PRC property market in late 2008 and early 2009, property prices and transaction volume began increasing sharply in the second half of 2009. This has led to imposition of further regulations and policies by the PRC government aimed at slowing down the property market. These measures resulted in downward pricing pressures on the PRC property market starting in the second half of 2011 and low transaction volumes in the first half of 2012. Please see the section headed “Industry Overview” in this offering memorandum.

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

Our ability to secure new projects and related investments may be restricted by policies and regulations introduced by the PRC government with respect to overseas investment

The PRC government has introduced a number of policies and regulations aimed at regulating overseas investment in the property industry in the past few years. On July 11, 2006, the Ministry of Construction, MOFCOM, NDRC, PBOC, the State Administration for Industry and Commerce (“SAIC”) and the State Administration of Foreign Exchange (“SAFE”) issued the Opinions on Regulating the Entry and Administration of Foreign Investment into the Real Estate Market (“Circular 171”) (關於規範房地產市場外資准入和管理的意見). On August 19, 2015, MOHURD and Other Authorities issued the Circular on Adjusting Policies on the Market Access and Administration of Foreign Investment in the Real Estate Market (住房城鄉建設部等部門關於調整房地產市場外資准入和管理有關政策的通知) which adjusted the relevant policies on the purchase of houses by foreign-invested real estate companies, foreign institutions, and individuals as prescribed in the “Circular 171”. On May 23, 2007, the MOFCOM and SAFE issued the Circular on the Reinforcement and Regulation of Approval and Supervision of Foreign Direct Investment in the Real Estate Section (關於進一步加強規範外商直接投資房地產業審批和監管的通知) (“Notice 50”).

On May 13, 2013, SAFE issued the Circular of the State Administration of Foreign Exchange on Printing and Distributing the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors and Relevant Supporting 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). According to this circular, local branches of the SAFE must not register any foreign debt of a FIREE unless it obtained approval for its new establishment or capital increase from the local MOFCOM branches and filed such approval with the MOFCOM. This circular is another restrictive measure taken by the PRC government to limit foreign investment in the PRC property market. Pursuant to the requirements in the above circulars, we must apply to the relevant examination and approval authorities if we plan to expand the scope of our business or the scale of our operations, engage in new project developments or operations or increase the registered capital of our PRC-domiciled foreign-invested subsidiaries in the future.

On October 8, 2016, Ministry of Commerce issued the Interim Measures for Record-filing Administration for the Incorporation and Alteration of Foreign-invested Enterprises (“Circular 3”) (外商投資企業設立及變更備案管理暫行辦法) which took effect on the same day. According to the Circular 3, if the incorporation and change of foreign-invested enterprises does not involve special access administrative measures prescribed by the state (negative list), the examination and approval thereof has been changed to the record-filing administration. Under the Catalog of Guidance on Industries for Foreign Investment (外商投資產業指導目錄) promulgated by MOFCOM and NDRC on March 10, 2015, the construction of villa falls within the category of industries in which foreign investment is prohibited and other real estate development falls within the category of industries in which foreign investment is permitted. The Catalog of Guidance on Industries for Foreign Investment was amended on June 28, 2017 and will be effective on July 28, 2017, according to which the construction of villa is removed from the category of industries in which foreign investment is prohibited and real estate development falls within the category of industries in which foreign investment is permitted.

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

The performance of the Hong Kong property market and the policies of the Hong Kong Government and of other regulatory bodies may adversely affect property developers

As we look to expanding our business into new markets such as Hong Kong, our business and prospects may depend on the performance of the property market in Hong Kong. Any downturn in the Hong Kong property market may therefore adversely affect our performance. We cannot assure you that the demand for properties in Hong Kong will continue to grow, or will grow at all. Our financial position and results of operations may be influenced by fluctuations of supply and demand in the property market, which may, in turn, be influenced by the general state of the economy and other factors, including government policies. In recent years, the Hong Kong Government and other regulatory bodies in Hong Kong have introduced certain anti-speculation measures on the property market in Hong Kong, such as the modified ad valorem stamp duty, which applies to both residential and non-residential properties, the special stamp duty, increased mortgage down payment ratio, supply of land controls, rezoning to residential use and other fiscal policies.

There is no assurance that the Hong Kong Government will not introduce further anti-speculative measures or policies which further curtail the investment property market.

The PRC property market is highly competitive

The property market in China has been highly competitive. We compete with domestic and overseas property developers in the cities in which we have operations. We may seek to further enhance our market presence in these cities amid intense competition. Many of our competitors, including overseas listed foreign developers and top-tier domestic developers, may have more financial or other resources than us. Competition among property developers may cause an increase in land costs and raw material costs, shortages in quality construction contractors, surplus in property supply leading to property price decline, further delays in issuance of governmental approvals, and higher costs to attract or retain talented employees. If we fail to compete effectively, our business, financial condition and results of operations will suffer.

RISKS RELATING TO THE PRC

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

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

- political structure;
- level of the PRC government involvement and control;
- growth rate and level of development;
- level and control of capital investment and reinvestment;
- control of foreign exchange; and
- allocation of resources.

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

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

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

Substantially all of our revenue is denominated in Renminbi. The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural

requirements. However, approval from SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

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

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

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

In addition, on August 29, 2008, the SAFE issued the *Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises* (關於完善外商投資企業外匯資金支付結匯管理有關業務操作問題的通知), or the Circular 142, a notice with respect to the administration of Renminbi converted from foreign exchange capital contributions of a foreign invested enterprise. As a result, unless otherwise permitted by PRC laws or regulations, such converted amount can only be applied to activities within the approved business scope of the relevant foreign invested enterprise and cannot be used for domestic equity investment or acquisition.

On March 30, 2015, the SAFE issued the *Circular on Reforming the Administration Approach Regarding the Foreign Exchange Capital Settlement of Foreign-invested Enterprises* (國家外匯管理局關於改革外商投資企業外匯資金結匯管理方式的通知), or Circular 19, which became effective on June 1, 2015 and replaced Circular 142. Circular 19 provides that, the conversion of the Renminbi capital from foreign currency registered capital of foreign-invested enterprises may be at foreign-invested enterprises' discretion, which means that the foreign currency registered capital of foreign-invested enterprises for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange

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

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

Our business is conducted in mainland China and is governed by PRC laws and regulations. Substantially all of our subsidiaries are located in China and are subject to PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have little precedential value and can only be used as a reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to 5 economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty. Depending on the government agency or how or by who an application or case is presented to such agency, we may receive less favorable interpretation of laws and regulations than our competitors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may limit the legal protections available to foreign investors, including you.

We may be deemed a PRC resident enterprise under the EIT Law and be subject to PRC income tax on our worldwide income and PRC withholding taxes on interest we pay on the Notes

Under the EIT Law, which came into effect on January 1, 2008, enterprises established outside China whose “de facto management bodies” are located in China are considered “resident enterprises” for PRC tax purposes. Under the Implementation Rules for the EIT Law, “de facto management bodies” is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. In April 2009, the PRC State Administration of Taxation promulgated a circular to clarify the definition of “de facto management bodies” for enterprises incorporated overseas with controlling shareholders being onshore enterprises or enterprise groups in China. However, it remains unclear how the tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by PRC individual residents, as in our case. Substantially all of our management is currently based in China and may remain in China. Therefore, we may be treated as a PRC resident enterprise for PRC tax purposes. The tax consequences of such treatment are currently unclear as they will depend on how PRC finance and tax authorities apply or enforce the EIT Law and the Implementation Rules.

Although it is unclear under PRC tax law whether we have a “de facto management body” located in China, we currently take the position that we are not a PRC resident enterprise for PRC 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 PRC tax 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 non-resident 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, unless a lower rate is applicable pursuant to any applicable treaty.

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

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

RISKS RELATING TO THE NOTES

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

We are a holding company with no material operations. We conduct our operations through our PRC subsidiaries. The Notes will not be guaranteed by any current or future PRC subsidiaries. Our primary assets are ownership interests in our PRC subsidiaries, which are held through the Subsidiary Guarantors and certain Non-Guarantor Subsidiaries. The Subsidiary Guarantors do not, and the JV Subsidiary Guarantors (if any) may not, have significant operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be) will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our PRC subsidiaries.

Creditors, including trade creditors of Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of June 30, 2017, our Non-Guarantor Subsidiaries had total debt in the amount of RMB12,012.2 million (US\$1,771.9 million) and had capital commitments of approximately RMB1,787.5 million (US\$263.7 million) and

contingent liabilities of approximately RMB575.6 million (US\$84.9 million) arising from guarantees. The Notes and the Indenture permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the Notes.

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

We now have, and will continue to have after the offering of the New Notes, a substantial amount of indebtedness. Our total borrowings (including convertible bonds) as of December 31, 2014, 2015, 2016 and the six months ended June 30, 2017 were RMB8,094.8 million, RMB8,233.9 million, RMB11,976.5 million (US\$1,766.6 million) and RMB13,241.6 million (US\$1,953.2 million), respectively. We issued the Original Notes on August 15, 2017.

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

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

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. Under the Indenture, our ability to incur additional debt is subject to limitations on indebtedness and preferred stock covenant. Under such covenant, we may incur (i) certain Permitted Indebtedness or (ii) additional indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio is derived by dividing Consolidated EBITDA by Consolidated Fixed Charges. Because our definition of Consolidated Net Income (which is a significant component of Consolidated EBITDA) for the Notes includes our unrealized gains on valuation adjustments on our investment properties, our Consolidated EBITDA and therefore our ability to incur additional debt under such covenants could be substantially larger when compared to other similarly situated PRC senior notes issuers whose covenants do not typically include such unrealized gains in the definition of consolidated net income. In addition, because our definition of Consolidated Interest Expense for the Notes excludes the interest expense on indebtedness of third parties that we guarantee (except to the extent that such interest expense is actually paid by us), our Consolidated Interest Expense and our ability to incur additional debt could be even larger when compared to other similarly situated PRC senior notes issuers whose covenants would typically include such interest expense in the definition of consolidated interest expense. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, there is no assurance that we will be able to generate sufficient cash flow for these purposes. If we are unable to service our indebtedness, including our obligations under the Notes, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

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

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

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

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

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

As a holding company, we depend on the receipt of dividends and the principal and interest payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments or agreements of such subsidiaries. Pursuant to the loan agreements with certain PRC banks, several of our PRC subsidiaries are subject to dividend distribution limitations. See “Description of Material Indebtedness and Other Obligations — PRC Loan Agreements.” Such restrictions may adversely affect the calculation of our Consolidated EBITDA, and in turn our ability to undertake additional financing, investment or other transactions under the terms of the Notes. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the Notes. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be.

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

Furthermore, although we currently do not have any offshore shareholder loan to our PRC subsidiaries, we may resort to such offshore lending in the future, rather than equity contribution, to our PRC subsidiaries to finance their operations. In such events, the market interest rates that our PRC subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates on shareholder loans paid by our subsidiaries,

therefore, are likely to be lower than the interest rate for the Notes. Our PRC subsidiaries are also required to pay a 10% (or 7% if the interest is paid to a Hong Kong resident) withholding tax on our behalf on the interest paid under any shareholder loan. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries (as foreign-invested enterprises in China) must present evidence of payment of the withholding tax on the interest payable on any such shareholder loan and evidence of registration with SAFE, as well as any other documents that SAFE or its local branch may require.

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

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

The Notes are denominated in U.S. dollars, while substantially all of our revenue is denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012 and to 2.0% on March 17, 2014. These changes in currency policy resulted in Renminbi appreciating against the U.S. dollar and the H.K. dollar by approximately 33% from July 21, 2005 to December 31, 2014. The International Monetary Fund announced on September 30, 2016 that the Renminbi joins its Special Drawing Rights currency basket. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our U.S. dollar-denominated indebtedness. As of June 30, 2017, we had RMB652.3 million (US\$96.2 million) bank and other borrowings denominated in H.K. dollars and RMB577.1 million (US\$85.1 million) bank and other borrowings denominated in U.S. dollars. Such a devaluation could also adversely affect the value, translated or converted into H.K. dollars, U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between Renminbi and other currencies. To date, we have not entered into any hedging transactions to reduce our exposure to such risks. Following the offering of the Notes, we may enter into foreign exchange or interest rate hedging arrangements in respect of our U.S. dollar-denominated liabilities under the Notes. These hedging arrangements may require us to pledge or transfer cash and other collateral to secure our obligations under the arrangements, and the amount of collateral required may increase as a result of mark-to-market adjustments.

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

We must offer to purchase the Notes upon the occurrence of a Change of Control Triggering Event, at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See the section entitled “Description of the Notes.” The source of funds for any such purchase would be our available cash or third-party financing.

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

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

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

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

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

In the event we are treated as a PRC “resident enterprise” under the EIT Law, we may be required to withhold PRC tax on interest payable to certain of our non-resident investors. In such case, we will,

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

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

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

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

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

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee any Indebtedness of the Issuer, the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor;
- 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.

In addition, the terms of the Indenture prohibit us from incurring additional indebtedness unless (i) we are able to satisfy certain financial ratios or (ii) we are able to incur such additional indebtedness pursuant to any of the exceptions to the financial ratio requirements, and meet any other applicable restrictions. Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios. Certain of our financing arrangements also impose operating and financial restrictions on our business. See the section entitled “Description of Material Indebtedness and Other Obligations.” Such restrictions in the Indenture and our other financing arrangements may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in our business or the general economy. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes and other debt.

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

In light of land prices, sizes of projects and other factors, we may from time to time consider developing property developments jointly with third parties, including other PRC property developers. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries. Although the Indenture restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or minority joint ventures, these restrictions are subject to important exceptions and qualifications, including, among others, that we may, subject to certain conditions, make investments in any Unrestricted Subsidiaries and minority owned joint ventures primarily engaged in permitted business up to an aggregate amount equal to 15.0% of our total assets, without satisfying the Fixed Charge Coverage Ratio requirement. See “Description of the Notes.”

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

We pay dividends to our shareholders from time to time. Under the Indenture, any such dividend payment will be a “Restricted Payment”, which could not be made unless we can, among other things, satisfy the Fixed Charge Coverage Ratio. However, such restriction is subject to important exceptions and qualifications. Under the terms of the Notes, we may pay dividends on our common stock in an aggregate amount up to 20.0% of our profit for the year without satisfying the Fixed Charge Coverage Ratio. With such an exception, we may be able pay substantial amount of dividends even when we are highly leveraged, which may materially and adversely affect our ability to service our indebtedness, including the Notes.

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 Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be the case prior to any redemption period. We may be expected to redeem Notes when the current financing cost is lower than the interest rate on the Notes. In such case, a Noteholder generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to reinvest so at a significantly lower rate. It may therefore cause a negative financial impact on the holders of the Notes. Potential investors should consider reinvestment risk in light of other investments available at that time.

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

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

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

The Notes have been assigned a rating of B3 by Moody’s Investors Service and B+ by Fitch Ratings. The ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. In addition, we have been assigned a corporate family rating of B2 with a negative outlook by Moody’s Investors Service and a long-term foreign currency issuer default rating of B+ on rating watch negative by Fitch Ratings. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. Following our announcement on October 11, 2017 that we had entered into a sales and purchase agreement to acquire a non-residential development in Hong Kong (see “Business – Recent Development” for more information), Moody’s Investors Service announced on October 16, 2017 that it had changed the outlook on both the Notes and our corporate family rating from stable to negative, citing liquidity and leverage concerns, and Fitch Ratings announced on October 17, 2017 that it had placed both the Notes and our long-term foreign currency issuer default rating on rating watch negative, citing leverage concerns. We cannot assure you that the ratings assigned to or the outlook on the Notes or us will not be further affected or revised by such acquisition or the issuance of the New Notes. A rating may not remain for any given period of time and may be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

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

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

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

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

Because we and some of the Subsidiary Guarantors are incorporated, and the JV Subsidiary Guarantors (if any) may be incorporated, under the laws of the BVI, an insolvency proceeding relating to us or any such Subsidiary Guarantor or JV Subsidiary Guarantor, even if brought in other jurisdictions, would likely involve BVI insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy law in other jurisdictions. In addition, our Parent Guarantor, other Subsidiary Guarantors and JV Subsidiary Guarantors (if any) are incorporated or may be incorporated in the Cayman Islands or Hong Kong and the insolvency laws of the Cayman Islands and Hong Kong may also differ from the laws of the jurisdictions with which the holders of the Notes are familiar.

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

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

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

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

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

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

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

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

The Notes will initially only be issued in global certificate form and held through Euroclear and Clearstream. Interests in the Notes represented by the global certificate will trade in book entry form only, and notes in definitive registered form, or definitive registered notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book entry interests will not be considered owners or holders of the Notes. The nominee of the common depository for Euroclear and Clearstream will be the sole registered holder of the global certificate representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global certificate representing the Notes will be made to the paying agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to accounts of participants that hold book-entry interests in the global certificate representing the Notes and credited by such participants to indirect participants. After

payment to the nominee of the common depository for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear and Clearstream or, if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of Noteholder under the Indenture.

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

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

RISKS RELATING TO THE NOTES GUARANTEES AND THE JV SUBSIDIARY GUARANTEES

The Issuer is our wholly-owned subsidiary with no operations of its own and will be dependent upon payments from us under intercompany loans and/or pursuant to guarantees to meet its obligations under the Notes.

The Issuer is our newly incorporated wholly-owned subsidiary with limited assets and has no business operations other than issuing the Notes and engaging in related transactions and future issuances of debt securities upon and with terms substantially similar to the Notes. The proceeds from the issuance of the Notes will be used by the Issuer to provide financing to us for the uses described in “Use of proceeds” elsewhere in this offering memorandum. The Issuer’s ability to make payments on the Notes is dependent directly on payments to the Issuer by us and certain of our subsidiaries. Our ability and that of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) to make payments to the Issuer under intercompany loans and/or pursuant to the Guarantees will depend on a number of factors, some of which may be beyond our and their control. If we and the Subsidiary Guarantors fail to make scheduled payments to the Issuer under intercompany loans and/or pursuant to the Guarantees, the Issuer will not have any other source of funds to meet its payment obligations under the Notes.

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

We conduct our business operations predominately through our PRC subsidiaries, but none of our current PRC subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. No future subsidiaries that are organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. In addition, certain of our future offshore subsidiaries will not be required to guarantee the Notes if the consolidated assets of all our offshore subsidiaries that do not guarantee the Notes (other than Exempted Subsidiaries and Listed Subsidiaries) do not exceed 20.0% of our total assets. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of such Non-Guarantor Subsidiaries. See “Description of the Notes — The Subsidiary Guarantees and JV Subsidiary Guarantees” for a list of the Non-Guarantor Subsidiaries.

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

Under the terms of the Notes, a Subsidiary Guarantor may be able to release its Subsidiary Guarantee if it sells or issues no less than 20.0% of the Capital Stock of such Subsidiary Guarantor to a third party, as long as the consolidated assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 20.0% of our total assets.

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

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

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

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

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

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

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

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

USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deducting the underwriting discounts and commissions and other estimated expenses payable in connection with this offering, will be approximately US\$176.0 million, which we plan to use for general corporate purposes and to finance new property projects.

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

EXCHANGE RATE INFORMATION

CHINA

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

On May 18, 2007, PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. The floating band was further widened to 1.0% on April 16, 2012 and 2.0% on March 17, 2014. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for trading against the Renminbi on the following working day. The changes in currency policy resulted in Renminbi appreciating against the U.S. dollar by approximately 33% from July 21, 2005 to December 31, 2014. For the year ended December 31, 2014, Renminbi depreciated 0.36% against the U.S. dollar, the first depreciation since the Renminbi exchange reform in 2005. The PBOC announced on August 11, 2015 that it would improve the middle price quotation mechanism for determining the USD-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 PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

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

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
(RMB per US\$1.00)				
2012	6.2301	6.2990	6.3879	6.2221
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6400	6.9580	6.4480
2017				
March	6.8832	6.8940	6.9132	6.8687
April	6.8900	6.8888	6.8988	6.8778
May	6.8098	6.8843	6.9060	6.8098
June	6.7793	6.8066	6.8382	6.7793
July	6.7240	6.7694	6.8039	6.7240
August	6.5888	6.6670	6.7272	6.5888
September	6.6533	6.5690	6.6591	6.4773
October (through October 6)	6.6533	6.6533	6.6533	6.6533

Note:

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

HONG KONG

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

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

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

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
(HKD per US\$1.00)				
2012	7.7507	7.7556	7.7699	7.7493
2013	7.7539	7.7565	7.7654	7.7503
2014	7.7531	7.7554	7.7669	7.7495
2015	7.7507	7.7519	7.7686	7.7495
2016	7.7534	7.7620	7.8270	7.7505
2017				
March	7.7714	7.7658	7.7714	7.7611
April	7.7779	7.7737	7.7806	7.7687
May	7.7929	7.7864	7.7933	7.7775
June	7.8055	7.7984	7.8055	7.7908
July	7.8100	7.8091	7.8128	7.8034
August	7.8267	7.8217	7.8267	7.8121
September	7.8110	7.8127	7.8256	7.7995
October (through October 6)	7.8057	7.8084	7.8106	7.8057

Note:

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

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our capitalization and indebtedness as of June 30, 2017 on an actual basis and on an adjusted basis after giving effect to the issuance of Original Notes and the New Notes in this offering, in each case, after deducting the underwriting discounts and commissions and other estimated expenses of this offering payable by us. The following table should be read in conjunction with the selected consolidated financial information and related notes included in this offering memorandum.

	As of June 30, 2017			
	Actual		As adjusted	
	(RMB)	(US\$)	(RMB)	(US\$)
	(in thousands)			
Cash and cash equivalents⁽¹⁾	2,489,521	367,224	5,210,138	768,536
Short-term borrowings				
Borrowings — due within one year				
or on demand	4,614,914	680,736	4,614,914	680,736
Total current borrowings	4,614,914	680,736	4,614,914	680,736
Non-current borrowings⁽²⁾				
Borrowings — due after one year . . .	8,077,532	1,191,499	8,077,532	1,191,499
Convertible bonds	577,104	85,127	577,104	85,127
Original Notes ⁽³⁾	—	—	1,527,460	225,312
Notes to be issued	—	—	1,193,157	176,000
Less: Front-end fee	27,920	4,118	27,920	4,118
Total non-current borrowings	8,626,716	1,272,508	11,347,333	1,673,820
Total equity	9,124,991	1,346,009	9,124,991	1,346,008
Total capitalization⁽⁴⁾	17,751,707	2,618,517	20,472,324	3,019,828

Notes:

- (1) Cash and cash equivalents exclude restricted bank deposits of RMB2,189.7 million (US\$323.0 million) and fixed deposits with original maturity period of more than three months but within one year of RMB500.0 million (US\$73.8 million) respectively.
- (2) Subsequent to June 30, 2017, we have, in ordinary course of business, entered into additional arrangements for general corporate purpose. See “Description of Material Indebtedness and Other Obligation.” The additional borrowing are not reflected in the above table.
- (3) We issued the Original Notes on August 15, 2017.
- (4) Total capitalization includes total non-current borrowings and total equity.

Except as otherwise disclosed in this offering memorandum, there has been no material change to our capitalization and indebtedness since June 30, 2017.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table presents our selected financial information. The selected consolidated statement of profit or loss for 2014, 2015 and 2016 and the selected consolidated statement of financial position as of December 31, 2014, 2015 and 2016 set forth below (except for EBITDA data) have been derived from our consolidated financial statements for such years and as of such dates, as audited by Deloitte, and included elsewhere in this offering memorandum. The summary condensed consolidated statement of profit or loss for the six months ended June 30, 2016 and 2017 and the summary condensed consolidated statement of financial position data as of June 30, 2017 set forth below (except for EBITDA data) have been derived from our unaudited condensed consolidated interim financial statements for such periods and as of such date, as reviewed by Deloitte, included elsewhere in this offering memorandum.

Our financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The selected financial information below should be read in conjunction with the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum. Historical results are not necessarily indicative of results that may be achieved in any future period. Results for interim periods are not indicative of results for the full year.

SELECTED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER FINANCIAL DATA

	For the year ended December 31,				For the six months ended June 30,		
	2014	2015	2016		2016	2017	
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(RMB)	(US\$)
	(in thousands)						
Revenue	5,245,348	1,210,270	4,590,162	677,085	3,763,762	595,062	87,776
Cost of sales	(2,819,151)	(574,887)	(2,294,209)	(338,414)	(2,062,650)	(251,372)	(37,079)
Gross profit	2,426,197	635,383	2,295,953	338,671	1,701,112	343,690	50,697
Other income, other gains and losses	23,594	87,336	108,448	15,997	29,402	21,448	3,164
Selling expenses	(51,371)	(56,501)	(58,293)	(8,599)	(25,606)	(14,823)	(2,187)
Administrative expenses . . .	(170,809)	(239,059)	(348,696)	(51,435)	(170,437)	(178,437)	(26,321)
Fair value changes on investment properties . . .	887,591	426,816	247,498	36,508	624	175,845	25,939
Fair value changes on derivative financial instruments	-	-	15,022	2,216	-	41,373	6,103
Finance costs	(218,322)	(262,868)	(406,500)	(59,962)	(150,493)	(265,555)	(39,171)
Share of results of joint ventures	(40)	(30)	(9)	(1)	-	(92)	(14)
Profit before tax	2,896,840	591,077	1,853,423	273,394	1,384,602	123,449	18,210
Income tax expense	(1,148,266)	(166,492)	(1,044,757)	(154,110)	(814,525)	(76,678)	(11,311)
Profit for the year/period . .	<u>1,748,574</u>	<u>424,585</u>	<u>808,666</u>	<u>119,285</u>	<u>570,077</u>	<u>46,771</u>	<u>6,899</u>
Other Financial Data							
EBITDA ⁽¹⁾	2,337,926	436,433	2,258,294	333,116	1,764,990	247,167	36,458
EBITDA margin ⁽²⁾	44.6%	36.1%	49.2%	49.2%	46.9%	41.5%	41.5%

Notes:

- (1) EBITDA for any period consists of profit before finance costs, capitalized interest included in cost of sales, income tax expense, depreciation and amortization, other income, other gains and losses, fair value changes on investment properties, fair value changes on derivative financial instruments, share of results of joint ventures and equity-settled share-based payments. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See the section entitled "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 indicated 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 the section entitled "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.
- (2) EBITDA margin is calculated by dividing EBITDA by revenue for the relevant period, expressed as a percentage.

SELECTED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31,				As of June 30,	
	2014	2015	2016		2017	
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(US\$)
			(in thousands)			
Non-current assets						
Investment properties	11,384,416	11,973,452	12,227,017	1,803,581	12,399,857	1,829,076
Property, plant and equipment	403,309	333,422	294,188	43,395	430,251	63,465
Goodwill	231,602	231,602	231,602	34,163	231,602	34,163
Interests in joint ventures	521,757	525,393	528,384	77,941	528,292	77,927
Available-for-sale investments	347,767	343,267	561,048	82,759	825,513	121,770
Deferred tax assets	222,360	199,785	190,151	28,049	194,462	28,685
Deposits paid for acquisition of equity interests	–	–	210,000	30,977	–	–
Deposits paid for acquisition of property, plant and equipment	–	–	156,776	23,126	–	–
	<u>13,111,211</u>	<u>13,606,921</u>	<u>14,399,166</u>	<u>2,123,990</u>	<u>14,609,977</u>	<u>2,155,086</u>
Current assets						
Properties under development for sale	4,557,695	2,109,719	3,977,425	586,701	4,700,467	693,356
Properties held for sale	802,574	3,293,741	1,556,050	229,530	1,410,400	208,045
Other inventories	2,011	914	1,006	148	947	140
Accounts receivable	38,720	102,210	16,536	2,439	16,943	2,499
Deposits paid, prepayments and other receivables	806,015	1,941,469	1,234,783	182,140	1,213,921	179,063
Tax recoverable	35,538	88,950	8,316	1,227	1,413	208
Other current assets	331,710	80,000	200,000	29,502	50,000	7,375
Restricted bank deposits	760,546	1,253,444	1,738,990	256,515	2,189,734	323,003
Bank balances and cash	1,414,628	1,514,559	2,792,246	411,878	2,989,521	440,978
	<u>8,749,437</u>	<u>10,385,006</u>	<u>11,525,352</u>	<u>1,700,080</u>	<u>12,573,346</u>	<u>1,854,667</u>
Current liabilities						
Accounts payable	1,532,034	1,102,296	921,438	135,919	731,962	107,970
Accruals, deposits received and other payables	1,213,922	3,944,349	546,538	80,619	580,169	85,579
Dividend payables	–	–	–	–	211,211	31,155
Tax liabilities	673,134	470,507	768,146	113,308	748,338	110,386
Borrowings	1,769,737	1,676,275	3,580,323	528,126	4,614,914	680,736
	<u>5,188,827</u>	<u>7,193,427</u>	<u>5,816,445</u>	<u>857,971</u>	<u>6,886,594</u>	<u>1,015,826</u>
Net current assets	<u>3,560,610</u>	<u>3,191,579</u>	<u>5,708,907</u>	<u>842,109</u>	<u>5,686,752</u>	<u>838,841</u>
Total assets less current liabilities	<u>16,671,821</u>	<u>16,798,500</u>	<u>20,108,073</u>	<u>2,966,099</u>	<u>20,296,729</u>	<u>2,993,927</u>
Non-current liabilities						
Convertible bonds	–	–	559,186	82,484	577,104	85,127
Derivative financial instruments	–	–	120,496	17,774	79,123	11,671
Borrowings	6,325,096	6,557,606	7,836,944	1,156,011	8,049,612	1,187,381
Deferred tax liabilities	2,269,077	2,267,724	2,393,783	353,102	2,465,899	363,739
	<u>8,594,173</u>	<u>8,825,330</u>	<u>10,910,409</u>	<u>1,609,371</u>	<u>11,171,738</u>	<u>1,647,918</u>
Net assets	<u>8,077,648</u>	<u>7,973,170</u>	<u>9,197,664</u>	<u>1,356,728</u>	<u>9,124,991</u>	<u>1,346,009</u>
Capital and reserves						
Share capital	32,336	39,115	39,115	5,770	39,115	5,770
Reserves	7,977,082	7,841,962	8,925,397	1,316,566	8,851,009	1,305,594
Equity attributable to owners of the Company	8,009,418	7,881,077	8,964,512	1,322,336	8,890,124	1,311,364
Non-controlling interests	68,230	92,093	233,152	34,392	234,867	34,645
Total equity	<u>8,077,648</u>	<u>7,973,170</u>	<u>9,197,664</u>	<u>1,356,728</u>	<u>9,124,991</u>	<u>1,346,009</u>

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

The following discussion should be read in conjunction with the section entitled “Summary Consolidated Financial Information” and our consolidated financial statements, including the notes thereto, included elsewhere in this offering memorandum. All significant intra-group transactions, balances and unrealized gains on intra-group transactions have been eliminated. Our consolidated financial information were prepared in accordance with HKFRS, which differ in certain material respects from generally accepted accounting principles in other jurisdictions. In this section of the offering memorandum, references to “2014”, “2015” and “2016” refer to our financial years ended December 31, 2014, 2015 and 2016, respectively.

OVERVIEW

We are a leading, specialized property developer and commercial property operator based in Shenzhen, PRC. Our vision is “to be the most respected urban value creator” (“做最受尊敬的城市價值創造者”) by providing quality products and services and creating social, economic and cultural values for cities. From 2011 to 2017, we were recognized as one of the “Top 10 Shenzhen Real Estate Enterprises in terms of Comprehensive Strength” (“深圳房地產開發十強企業”) by Shenzhen Real Estate Association for seven consecutive years. In 2017, we were ranked fourth among the thirteen “Trustworthy Enterprises in Shenzhen’s Real Estate Industry” by Shenzhen Real Estate Association.

We were known as New Heritage Holdings Ltd. (“New Heritage Holdings”), a company listed on The Stock Exchange of Hong Kong since December 2, 2005 (Hong Kong Stock Code: 00095) and mainly engaged in property development and property investment businesses in Suzhou. On January 21, 2014, a sales and purchase agreement was entered into between China LVGEM Property Holdings Limited (“China LVGEM”), a company ultimately wholly beneficially owned by Mr. Wong Hong King, and a shareholder of New Heritage Holdings, to acquire 64.8% of the then aggregate issued share capital of New Heritage Holdings (“the 2014 Acquisition”). The 2014 Acquisition was completed on May 8, 2014. Subsequent to the completion of the 2014 Acquisition, China LVGEM’s interest in the Company increased to 81.5% after the acquisition of additional shares of the Company as a result of the mandatory general offer and exercise of share options of the Company. China LVGEM’s interest in New Heritage Holdings subsequently reduced to 73.0% to restore the public float. In September 2014, our name was changed to “LVGEM (China) Real Estate Investment Company Limited” (“綠景(中國)地產投資有限公司”).

On June 2, 2015, we as purchaser entered into an agreement with Mr. Wong Hong King as vendor in respect of the sale and purchase of the entire issued share capital of Green View Holding Company Limited (“Green View”) at a consideration of HK\$13,785,000,000 (the “Green View Acquisition”). As of 2015, Green View had developed a diverse portfolio of 15 completed projects including urban boutique residences, the Zoll Centers, Shenzhen NEO Urban Commercial Complex and a hotel. Of the aggregate consideration of HK\$13,785,000,000 for the Green View Acquisition, (a) HK\$5,169,246,000 was settled by the allotment and issue of 2,509,342,511 our new shares at the issue price of HK\$2.06 per share, (b) HK\$7,031,754,000 was settled by the allotment and issue of 3,413,473,023 convertible preference shares at the issue price of HK\$2.06 per share, and (c) the balance of HK\$1,584,000,000 was settled by cash. The Green View Acquisition constituted a reverse takeover and we were treated as a new listing applicant under Rule 14.54 vetted under the procedures and requirements set out in Chapter 9 of the Listing Rules. On November 30, 2015, the asset injection was completed. We conducted a placement of new shares at a placing price of HK\$2.20 per share in conjunction with the Green View Acquisition. Two cornerstone investors were introduced successfully, namely, a wholly-owned subsidiary of China Vanke Co., Ltd. (“萬科企業股份有限公司”) (Hong Kong Stock Code: 2202), a leading property developer in China, and a wholly-owned subsidiary of Shenzhen Pingan Dahua Huitong Wealth Management Co., Ltd. (“深圳平安大華匯通財富管理有限公司”), a member of Ping An Group of the PRC.

Adhering to the “dual core” strategic vision of “focusing on core cities and cities’ core areas,” we develop projects mainly in core cities and central areas to help achieve low risk, high value and high returns for our projects. Being one of the forerunners in urban redevelopment, we actively participated in urban redevelopment projects in Shenzhen, where we have accumulated extensive experience and established a unique land reserve acquisition model. We have established a solid market position in Shenzhen and have been strategically expanding into other property markets in the Pearl River Delta, in alignment with the GDHKMC Bay Area concept, which was put forward in the 5th session of the 12th National People’s Congress in March 2017. The GDHKMC Bay Area concept focuses on the creation of a financial and trading core area and the promotion of high-quality living through cultural development and green initiatives. The GDHKMC Bay Area is also one of the most economically prosperous and vibrant economic zones in China. Our geographical coverage also includes the Yangtze River Delta region, mainly in Suzhou.

Our business operations consist of three principal business segments:

- (i) Property development and sales;
- (ii) Commercial property investment and operations; and
- (iii) Comprehensive services.

Our mission is to “build quality products and enhance urban value” (“持續提升城市價值”). As of June 30, 2017, we had completed a diverse portfolio of 20 residential and commercial properties with an aggregate GFA of 2.9 million sq.m., most of which are located in prime, core areas of Shenzhen such as Futian, Longhua and Luohu. We currently have a robust project pipeline with a land reserve of total planned GFA of approximately 4.1 million sq.m., including our first overseas project in Lau Fau Shan, Hong Kong. We adopt a dual-track land acquisition strategy in which we seek quality land reserve primarily through urban redevelopment and complemented by selective acquisitions and other means such as public processes. As one of the pioneers of urban redevelopment, we believe we can leverage our extensive experience and continue to acquire land in prime locations at a competitive cost, particularly in Shenzhen where urban redevelopment has become a primary source of land supply.

In line with our two-pronged residential and commercial business model, we own and operate for long-term investment purposes a substantial portion of the commercial properties we have developed. These commercial properties include the Shenzhen NEO Urban Commercial Complex, Zoll Centers and other retail spaces. Shenzhen NEO Urban Commercial Complex is composed of three buildings that consist of a Grade-A office building, retail space and business apartments. Zoll centers are community lifestyle and shopping centers which complement our existing residential property developments. We hold these commercial properties for capital appreciation and lease them to generate rental income. As of June 30, 2017, we had 15 investment properties primarily in Shenzhen with a total GFA of approximately 403,261 sq.m. including one property under construction, Mangrove Bay No. 1 Zoll Center. We launched Hongwan Zoll Center in January 2017 and expect to launch International Garden Zoll Center in 2017 and Mangrove Bay No. 1 Zoll Center in 2018. Additionally, we expect to launch Suzhou Zoll Center with 12,100 sq.m. GFA in 2019.

We also provide comprehensive services, including property management services and hotel operations. We provide high quality property management services to the residents and tenants of 19 properties with an aggregate GFA of approximately 2.29 million sq.m. We manage a majority of the properties developed by us, including Shenzhen NEO Urban Commercial Complex and Zoll Centers. In 2016, our LVGEM Hotel, located in central business district of Futian in Shenzhen, was awarded “The

Most Popular Hotel” (“最受歡迎酒店獎”) by the Shenzhen Tourism Association. In 2017, we acquired Vanllee Hotel in Covina, Los Angeles, USA.

In 2014, 2015, 2016 and the six months ended June 30, 2017, our revenue was RMB5,245.3 million, RMB1,210.3 million, RMB4,590.2 million (US\$677.1 million) and RMB595.1 million (US\$87.8 million), respectively, and our profit for the year/period was RMB1,748.6 million, RMB424.6 million, RMB808.7 million (US\$119.3 million) and RMB46.8 million (US\$6.9 million), respectively.

Significant Factors Affecting Our Results of Operations and Financial Condition

Our business, results of operations and financial condition have been, and we expect will continue to be, affected by a number of key factors and material risks, many of which are beyond our control. Please refer to the section entitled “Risk Factors.” These factors and risks include the following:

Economic conditions, speed of urbanization and demand for residential and commercial properties in China, particularly in the Pearl River Delta region

Our business is heavily dependent on the performance of the real estate market in China, particularly in the Pearl River Delta region. The performance of the PRC real estate industry is subject to continued growth in the economy, the rate of urbanization and the resultant demand for properties in China. The key factors that we consider to be important to our operations include (1) general economic development, including the global economy and the overall economic growth in China, (2) growth conditions in the private sector and (3) urban planning. Economic growth attributable to the private business sector has increased the general level of disposable income and the number of middle to upper-middle income households, which are our primary target customers. Developments in the economy and the rate of urbanization have in the past increased the supply of and demand for residential properties and affected pricing trends in the property sector in the cities and regions where we operate in China. We believe that these factors will continue to significantly affect our results of operations.

Regulatory environment

PRC government policies and measures on property development and related industries have a direct impact on financial condition 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. Measures taken by the PRC government to control money supply, credit availability and fixed assets also have a direct impact on our business and results of operations. In recent years, the PRC government has implemented a series of measures with a view to control the growth of the economy, including the real estate markets. While the real estate industry is regarded as a pillar industry by the PRC government, the PRC government has taken various restrictive measures to discourage speculation in the real estate market and to increase the supply of affordable residential properties. The PRC government may introduce initiatives which may affect our access to capital and the means in which we may finance our property development. See “Regulations” for more details on the relevant PRC laws and regulations.

Ability to acquire suitable land and land use rights at suitable prices

To have a steady stream of properties available for sale and to achieve continuous growth in the long term, we need to replenish and increase land reserves suitable for development. Land use rights for the purposes of commercial use, tourism, entertainment and commodity residential property development in the PRC may be acquired mainly through three methods: (i) urban redevelopment; (ii) acquisition of equity

interests in companies that hold land use rights, or acquisition of property interests held by other companies; and (iii) public tender, auction or listing-for-sale. We expect increasingly intense competition and higher land acquisition costs in respect of the statutory means of acquiring land. In November 2009, the PRC government raised the minimum down-payment of land premium to 50% and required the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. In March 2010, the Ministry of Land and Resources promulgated a notice to strictly regulate the transfer of land for commercial buildings. According to the notice, the area of a parcel of land granted for commodity residential development should be strictly restricted in accordance with the catalog of restricted use of land and the minimum price of the land transfer should not be less than 70% of the benchmark price of the place where the land being transferred is located, and the real estate developer's bid deposit should not be less than 20% of the minimum transfer price. See "Regulations." These changes of policy may materially and adversely affect our cash flow and our ability to acquire suitable land for our operations.

Price volatility in labor and construction materials

Our results of operations are affected by price volatility in labor and construction materials such as steel and cement. Most of our construction contracts are based on pre-agreed unit cost. However, if there is any significant increase in the cost of construction materials and labor costs, our construction contractors may renegotiate construction fees or we may be subject to higher construction fees when our existing construction contracts expire. We are exposed to price volatility in labor and construction materials to the extent that we are not able to pass the increased costs on to our customers by increasing our selling prices. See "Risk Factors — Risks Relating to Our Business — Fluctuations in the cost of labor and construction materials could adversely affect our business and financial performance." 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.

Access to and cost of financing

Borrowing is an important source of funding for our property developments. As of December 31, 2014, 2015, 2016 and the six months ended June 30, 2017, our outstanding borrowings (including convertible bonds) amounted to RMB8,094.8 million, RMB8,233.9 million, RMB11,976.5 million (US\$1,766.6 million) and RMB13,241.6 million (US\$1,953.2 million), respectively. The effective interest rates on our total borrowings (including convertible bonds) as of December 31, 2014, 2015, 2016 and June 30, 2017 were approximately 8.6%, 7.4%, 6.2% and 6.1%, respectively. As commercial banks in China link the interest rates on their bank loans to benchmark lending rates published by the PBOC, any increase in such benchmark lending rates will increase the interest costs for our developments. See "Risk Factors — Risks Relating to the Business — Our financing costs may increase as a result of changes in interest rates." Our ability and flexibility to use bank loans to finance our property projects are also affected by the measures taken by the PRC government from time to time to restrain money supply and credit availability for fixed asset investments, particularly with respect to the property development sector. In addition to bank borrowings, we have also accessed capital markets for our financing requirements. See "Description of Material Indebtedness and Other Obligations. An increase in our finance costs would negatively affect our profitability and results of operations and the availability of financing will affect our ability to engage in our project development activities, which will negatively affect our results of operations.

Fair Value of Investment Properties

We hold investment properties for rental income or capital appreciation. We consider the estimated long-term growth potential, overall market conditions and our cash flows and financial condition when we

decide whether to sell or hold our completed properties for long-term investment purposes. Going forward, we intend to continue to consider the above factors in deciding whether to sell or lease our completed properties and we expect to increase our investment property portfolio over time. In accordance with HKFRS, gains or losses (as applicable) arising from changes in the fair value of our investment properties should be accounted for in our consolidated profit or loss, which may have a substantial effect on our profits. As of December 31, 2014, 2015, 2016 and the six months ended June 30, 2017, the change in fair value of our investment properties was RMB887.6 million, RMB426.8 million, RMB247.5 million (US\$36.5 million) and RMB175.8 million (US\$25.9 million), respectively. Our completed investment properties and investment properties under development were revalued by an independent property valuer as of December 31, 2014, 2015, 2016 and June 30, 2017, respectively, using the income capitalization approach and market-based approach, which reflected market conditions at those dates. The fair value of our investment properties may have been higher or lower had the valuer used a different set of bases or assumptions, or had the valuation been conducted by other qualified independent professional valuers using a different set of bases and assumptions. In addition, upward revaluation adjustments reflect unrealized capital gains on our investment properties as of the relevant reporting dates and do not generate any cash inflow for our operations or potential dividend distribution to our shareholders. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. If similar levels of fair value gains cannot be sustained in the future, our results of operations can be adversely impacted. See “Risk Factors — Risks Relating To the Business — Changes in fair value of our investment properties and measurement of our interests in joint ventures could affect our profit.”

Timing of property development

The number of property projects that we undertake during any particular period is primarily limited by the substantial capital requirements for land acquisitions and construction, as well as land supply. In addition, the development of property projects may take many months or even years before the commencement of pre-sale or completion and delivery. No revenue is recognized with respect to a property project until it has been completed, sold and delivered to the customers. In addition, as market demand fluctuates, the revenue we recognize from sale of properties in a particular period may also depend on market conditions at the expected completion and delivery time of a particular project. Moreover, delays in construction, regulatory approval and other processes can adversely affect the timetable of our projects. Given the foregoing limitations, timing differences and uncertainties, our results of operations have fluctuated in the past and are likely to continue to fluctuate in the future. Our profitability may be impacted because some of our completed projects or projects currently under development have not been sold and/or delivered, and we cannot assure you that there will not be such fluctuations on our profitability in the future. See “Risk Factors — Risks Relating To the Business — Our results of operation depend on a number of factors including the schedule of our property development and the timing of property sales, which may vary significantly from year to year.”

Critical Accounting Policies

The preparation of our consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires our management to exercise its judgment in the process of applying our accounting policies. Therefore, the consolidated financial statements included in this offering memorandum may not necessarily reflect our results of operations, financial position and cash flows in the future or what they would have been had we been a separate, stand-alone entity during the periods presented.

Critical accounting policies are those accounting policies that are reflective of significant judgments and uncertainties and that potentially yield materially different results under different assumptions and conditions.

When reviewing our consolidated financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. We believe the following accounting policies involve the most significant judgment and estimates used in the preparation of our consolidated financial information. In addition, we discuss our revenue recognition policy below because of its significance, even though it does not involve significant estimates or judgments.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognized when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to our Group and when specific criteria have been met for each of our Group's activities, as described below.

Revenue from the sales of goods is recognized when the goods are delivered and titles have passed.

Specifically, revenue from sales of properties in the ordinary course of business is recognized when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Revenue from hotel operation is recognized when the relevant services are provided. Property management fee income and rental related income are recognized in profit or loss when the services are rendered. Interest and investment income from a financial asset is recognized when it is probable that the economic benefits will flow to our Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Our Group's policy for recognition of revenue from operating leases is described in the accounting policy below.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are initially measured at cost, including any directly attributable expenditure. Cost incurred for investment properties under development comprises development expenditure including professional charges directly attributable to the development and borrowing costs, and these costs are capitalized as part of the carrying amount of the investment properties under development during the development period.

Subsequent to initial recognition, investment properties, including completed investment properties and investment properties under development, are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognized.

Properties under development for sale

Properties under development for sale which are intended to be held for sale are carried at lower of cost and net realizable value and are shown as current assets. Cost includes the costs of land (including relocation costs), development expenditure incurred and, where appropriate, borrowing costs capitalized during construction period. Net realizable value is determined based on prevailing market conditions.

Properties under development for sales are transferred to properties held for sale upon completion of development activities, which is when the relevant completion certificates are issued by the respective government authorities.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realizable value. Cost is determined by apportionment of the total land and development costs attributable to the properties held for sale. Net realizable value is determined based on prevailing market conditions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before tax” as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Our Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which our Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

DESCRIPTION OF CERTAIN STATEMENT OF PROFIT OR LOSS ITEMS

Revenue

Our revenue in 2014, 2015, 2016 and the six months ended June 30, 2017 consisted of property development and sales and recurring income which consists of (i) commercial property investment and operations and (ii) comprehensive services.

The following table sets forth the breakdown of our revenue by segments for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,					
	2014		2015		2016		2016		2017			
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	(US\$'000)	%	(RMB'000)	%	(RMB'000)	(US\$'000)	%
Property development and sales	4,687,470	89.4	575,881	47.6	3,956,426	583,604	86.2	3,445,760	91.5	236,036	34,817	39.7
Commercial property investment and operations	359,344	6.8	412,637	34.1	430,205	63,459	9.4	209,705	5.6	238,101	35,122	40.0
Comprehensive services	198,534	3.8	221,752	18.3	203,531	30,022	4.4	108,297	2.9	120,925	17,837	20.3
Total	5,245,348	100.0	1,210,270	100.0	4,590,162	677,085	100.0	3,763,762	100.0	595,062	87,776	100.0

Property Development and Sales

For property sales, revenue is recognized when the respective properties have been completed and delivered to buyers. As we derive our revenue primarily from sale of properties, our results of operations for a given period are dependent on the total GFA and ASP of properties we delivered during such period. Our results of operations may vary significantly from period to period depending on the development and delivery schedules of our property projects in any given period.

In 2014, 2015, 2016 and six months ended June 30, 2017, our revenue from sale of properties amounted to RMB4,687.5 million, RMB575.9 million, RMB3,956.4 million (US\$583.6 million) and RMB236.0 million (US\$34.8 million), respectively, which accounted for 89.4%, 47.6%, 86.2% and 39.7% of our total revenue, respectively.

The table below sets forth the breakdown of our revenue from property development and sales and GFA by projects for the periods indicated:

	For the year ended December 31,										For the six months ended June 30,						
	2014		2015		2016				2016		2017						
	sq.m (RMB'000)	%	sq.m (RMB'000)	%	sq.m (RMB'000)	(US\$'000)	%	sq.m (RMB'000)	%	sq.m (RMB'000)	(US\$'000)	%					
Shenzhen:																	
LVGEM 1866 Garden (公館1866花園)	190,347	4,125,464	88.0	2,834	71,457	12.4	376	9,836	1,452	0.2	288	7,341	0.2	144	2,833	418	1.2
LVGEM Hongwan Garden (綠景虹灣花園)	-	-	-	-	-	-	77,319	3,540,423	522,240	89.5	69,949	3,168,052	91.9	2,847	157,342	23,209	66.7
City Garden (城市立方花園)	2,182	30,877	0.7	273	5,070	0.9	330	6,164	909	0.2	132	1,670	-	-	-	-	-
Zhonghe Tixiang Famous Garden (中核樂香名苑)	-	-	-	-	-	-	226	1,447	213	-	224	1,050	-	-	-	-	-
LVGEM Chanson Garden (綠景香頌花園)	13,960	120,501	2.6	470	10,513	1.8	-	-	-	-	-	-	-	-	-	-	-
LVGEM Garden Estate (綠景山莊)	808	23,657	0.5	2,373	85,290	14.8	-	-	-	-	-	-	-	-	-	-	-
Sub-total	207,297	4,300,499	91.8	5,950	172,330	29.9	78,251	3,557,870	524,814	89.9	70,594	3,178,113	92.2	2,991	160,175	23,627	67.9
Huazhou:																	
LVGEM International Garden (綠景國際花園)	-	-	-	63,001	270,476	47.0	53,172	214,869	31,695	5.4	32,980	130,987	3.8	16,051	68,787	10,147	29.1
Sub-total	-	-	-	63,001	270,476	47.0	53,172	214,869	31,695	5.4	32,980	130,987	3.8	16,051	68,787	10,147	29.1
Suzhou:																	
Taihu Garden Court (錦澤苑)	3,249	34,290	0.7	6,834	68,306	11.9	15,389	152,442	22,486	3.9	11,619	113,206	3.3	644	7,074	1,043	3.0
Lakeside Garden Court (錦盛苑)	48,619	352,681	7.5	8,603	64,769	11.2	3,730	31,245	4,609	0.8	2,960	23,454	0.7	-	-	-	-
Sub-total	51,868	386,971	8.2	15,437	133,075	23.1	19,118	183,687	27,095	4.7	14,579	136,660	4.0	644	7,074	1,043	3.0
Total	259,165	4,687,470	100.0	84,388	575,881	100.0	150,541	3,956,426	583,604	100.0	118,153	3,445,760	100.0	19,686	236,036	34,817	100.0

Commercial Property Investment and Operations

Income from commercial property investment and operations represents rental income from leasing of our commercial properties, office premises and car parks. Revenue from rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of relevant lease.

In 2014, 2015 and 2016 and the six months ended June 30, 2017, our rental income amounted to RMB359.3 million, RMB412.6 million, RMB430.2 million (US\$63.5 million) and RMB238.1 million (US\$35.1 million), respectively, which accounted for 6.8%, 34.1%, 9.4% and 40.0% of our total revenue, respectively.

The table below sets forth the breakdown of our rental income for the periods indicated:

Rental income from:	For the year ended December 31,				For the six months ended June 30,		
	2014	2015	2016		2016	2017	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(RMB'000)	(US\$'000)
Shenzhen NEO							
Urban Commercial							
Complex	248,906	285,512	304,213	44,874	148,672	158,479	23,377
1866 Zoll Center . . .	14,473	35,804	41,029	6,052	17,541	22,612	3,335
Chanson Zoll							
Center	37,415	37,521	33,143	4,889	16,607	17,847	2,633
Hongwan Zoll							
Center	–	–	–	–	–	10,054	1,483
Others	58,550	53,800	51,820	7,644	26,885	29,109	4,294
Total	359,344	412,637	430,205	63,459	209,705	238,101	35,122

Comprehensive Services

We provide comprehensive services to purchasers and tenants of our residential and commercial properties. These comprehensive services include property management services, hotel operations and others. As of June 30, 2017, we provided operation and management services to 19 projects with an entrusted operation and management area of approximately 2.29 million sq.m. In 2014, 2015, 2016 and the six months ended June 30, 2017, our comprehensive services income amounted to RMB198.5 million, RMB221.8 million, RMB203.6 million (US\$30.0 million) and RMB120.9 million (US\$17.8 million), respectively, which accounted for 3.8%, 18.3%, 4.4% and 20.3% of our total revenue, respectively.

The table below sets forth the breakdown of our revenue from comprehensive services for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,		
	2014	2015	2016		2016	2017	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(RMB'000)	(US\$'000)
Property							
management							
services	79,215	103,924	112,435	16,585	56,977	58,223	8,588
Hotel operations . . .	73,736	68,961	69,911	10,312	35,593	40,583	5,986
Others	45,583	48,867	21,185	3,125	15,727	22,119	3,263
Total	198,534	221,752	203,531	30,022	108,297	120,925	17,837

Cost of Sales

Cost of sales comprises primarily construction costs, land costs, capitalized interest, direct costs related to commercial property investment and operations and direct costs related to comprehensive services. The table below sets forth the breakdown of our cost of sales for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,					
	2014		2015		2016		2016		2017			
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	(US\$'000)	%	(RMB'000)	%	(RMB'000)	(US\$'000)	%
Property development and sales												
Construction costs	2,077,326	79.0	266,892	67.6	1,449,618	213,830	69.1	1,385,363	70.3	107,103	15,799	72.6
Land costs	469,112	17.8	83,943	21.3	446,674	65,888	21.3	411,988	20.9	23,540	3,472	16.0
Capitalized interest	84,596	3.2	43,923	11.1	200,992	29,648	9.6	172,495	8.8	16,897	2,492	11.4
Sub-total	2,631,034	100.0	394,758	100.0	2,097,284	309,366	100.0	1,969,846	100.0	147,540	21,763	100.0
Commercial property investment and operations	75,559		60,453		63,639	9,387		36,422		27,216	4,015	
Comprehensive services	112,558		119,676		133,286	19,661		56,382		76,616	11,301	
Total	2,819,151		574,887		2,294,209	338,414		2,062,650		251,372	37,079	

Gross Profit and Gross Profit Margin

In 2014, 2015, 2016 and the six months ended June 30, 2017, our gross profit was RMB2,426.2 million, RMB635.4 million, RMB2,296.0 million (US\$338.7 million) and RMB343.7 million (US\$50.7 million), respectively, representing gross profit margins of 46.3%, 52.5%, 50.0% and 57.8%, respectively. See “Results of Operations.”

Selling Expenses

Our selling and marketing expenses primarily include advertising and promotional expenses to promote the sales and rental of our properties, commissions to sales agents and compensations to our sales and marketing personnel. We focus our marketing efforts on the first phase of each project to establish the reputation and profile for the project which in turn leads to higher initial advertising and promotional expenses during this phase of the project. We also incur higher initial advertising and promotional expenses when expanding into new cities. As a result, our sales and marketing costs may fluctuate from time to time.

Our selling and marketing expenses amounted to RMB51.4 million, RMB56.5 million, RMB58.3 million (US\$8.6 million) and RMB14.8 million (US\$2.2 million) in 2014, 2015, 2016 and six months ended June 30, 2017, respectively.

Administrative Expenses

Our administrative expenses primarily include staff cost, professional fees, office expenses, entertainment expense and depreciation and amortizations. Our administrative expenses amounted to RMB170.8 million, RMB239.1 million, RMB348.7 million (US\$51.4 million) and RMB178.4 million (US\$26.3 million) in 2014, 2015, 2016 and six months ended June 30, 2017, respectively.

Fair Value Changes on Investment Properties

Investment properties are interests in land and buildings held to earn recurring rental income. Investment properties are stated at their fair value as of each reporting date. Gains or losses arising from changes in the fair value of our investment properties are included in our consolidated statements of profit or loss in the period in which they arise. Changes in the fair value of both completed investment properties and investment properties under construction will affect our results of operation.

In 2014, 2015, 2016 and six months ended June 30, 2017, we recorded change in fair value of investment properties of RMB887.6 million, RMB426.8 million, RMB247.5 million (US\$36.5 million) and RMB175.8 million (US\$25.9 million), respectively. These adjustments reflected unrealized capital gains on our investment properties, and thus did not generate cash.

Finance Costs

Our finance costs include interest expenses on bank loans and other borrowings and interest expenses on convertible bonds and less capitalized interest. Our finance costs amounted to RMB218.3 million, RMB262.9 million, RMB406.5 million (US\$60.0 million) and RMB265.6 million (US\$39.2 million) in 2014, 2015, 2016 and six months ended June 30, 2017, respectively. Under HKFRSs, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of these assets. Furthermore, interest expenses can only be capitalized during the construction period and finance costs incurred prior to and after the construction period must be expensed.

In 2014, 2015, 2016 and six months ended June 30, 2017, our finance costs represented an average effective interest rate of 8.6%, 7.4%, 6.2% and 6.1%, respectively. Average effective interest rates are derived by dividing the total interest costs for the relevant year or total annualized interest cost for the relevant period by average total borrowings (including convertible bonds) which is calculated by adding up of ending balances of total borrowings (including convertible bonds) in current and prior period divided by two. The interest expenses on total borrowings (including convertible bonds) were RMB591.8 million, RMB603.4 million, RMB624.1 million (US\$92.1 million) and RMB384.6 million (US\$56.7 million) in 2014, 2015, 2016 and six months ended June 30, 2017, respectively.

Tax

Our tax comprises provisions for EIT, land appreciation tax and deferred tax. In 2014, 2015, 2016 and six months ended June 30, 2017, our effective tax rate was 39.6%, 28.2%, 56.4% and 62.1%, respectively. Effective tax rates are derived by dividing total tax charge for the relevant period by profit before tax for that period. The following table sets forth the breakdown of our income tax expense for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,		
	2014	2015	2016		2016	2017	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(RMB'000)	(US\$'000)
Current							
PRC EIT							
– Current							
year/period	432,697	71,759	263,048	38,801	74,166	6,698	988
– Underprovision in							
prior years	–	12,684	8,466	1,249	9,711	13,280	1,959
	<u>432,697</u>	<u>84,443</u>	<u>271,514</u>	<u>40,050</u>	<u>83,877</u>	<u>19,979</u>	<u>2,947</u>
PRC LAT							
– Current							
year/period	472,435	50,400	694,855	102,497	620,329	3,379	498
– Overprovision in							
prior years	–	–	(2,860)	(422)	–	(869)	(128)
	<u>472,435</u>	<u>50,400</u>	<u>691,995</u>	<u>102,075</u>	<u>620,329</u>	<u>2,510</u>	<u>370</u>
Deferred taxation							
– Current							
year/period	243,134	60,329	91,074	13,434	110,319	54,189	7,993
– Overprovided in							
prior years	–	(28,680)	(9,826)	(1,449)	–	–	–
	<u>243,134</u>	<u>31,649</u>	<u>81,248</u>	<u>11,985</u>	<u>110,319</u>	<u>54,189</u>	<u>7,993</u>
Total income tax							
 expense	<u>1,148,266</u>	<u>166,492</u>	<u>1,044,757</u>	<u>154,110</u>	<u>814,525</u>	<u>76,678</u>	<u>11,311</u>

According to the Provisional Regulations of the PRC on the Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) and the Detailed Implementation Rules on the Provisional Regulations on the land appreciation tax of the PRC (中華人民共和國土地增值稅暫行條例實施細則), all income from the sale or transfer of state-owned land use rights on land, buildings and their attached facilities is subject to land appreciation tax. Land appreciation tax is levied on properties developed by property developers in the PRC for sale at progressive rates generally ranging from 30% to 60% of the appreciation in land value with certain exemptions. However, no LAT is payable for the sale of ordinary residential properties if the appreciation value does not exceed 20% of the “total deductible items” as such term is defined in the relevant tax laws. Whether a property qualifies for the ordinary standard residential property exemption is determined by the local government taking into consideration the property’s plot ratio, aggregate GFA and sale price.

For real estate development companies in the PRC, EIT and land appreciation tax are pre-paid based on certain percentages of pre-sales proceeds. Pre-paid EIT and land appreciation tax are deducted in the statement of profit or loss when the properties are delivered and revenue is recognized. As of December 31, 2014, 2015, 2016 and six months ended June 30, 2017, we made LAT provisions of RMB472.4 million, RMB50.4 million, RMB694.9 million (US\$102.5 million) and RMB2.5 million (US\$0.4 million), respectively. In 2016 and the six months ended June 30, 2017, we filed and agreed with the local tax

bureau in the PRC the computation for the land appreciation tax of certain property development projects that had been completed and sold in previous years. As a result of the local tax bureau's assessments, we have reversed and recognized an overprovision of land appreciation tax on the relevant property development projects of RMB2.9 million (US\$0.4 million) and RMB0.9 million (US\$0.1 million), respectively, in the consolidated statement of profit or loss for 2016 and the six months ended June 30, 2017.

We are not subject to any income tax for our Company, which is incorporated in the Cayman Islands. We did not incur Hong Kong profits tax in 2014, 2015, 2016 and the six months ended June 30, 2017 as we had no estimated assessable profits for these years. Deferred taxes are the taxes expected to be payable or recoverable on the differences between the carrying amounts of assets and liabilities in our financial statements and the corresponding tax basis. Deferred tax liabilities are generally recognized for all taxable differences and deferred tax assets are recognized for deductible temporary differences, carried-forward unused tax credit and unused tax losses. Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted by the end of the reporting period. In 2014, 2015, 2016 and the six months ended June 30, 2017, our deferred tax liabilities mainly included temporary differences recognized relating primarily to valuation of investment properties and accelerated tax depreciation and available-for-sale investments. Our deferred tax liabilities were RMB2,269.1 million, RMB2,267.7 million, RMB2,393.8 million (US\$353.1 million) and RMB2,465.9 million (US\$363.7 million) as of December 31, 2014, 2015, 2016 and the six months ended June 30, 2017, respectively.

Our effective tax rate is affected by the statutory EIT rates, land appreciation tax, non-deductible expenses and profits and losses attributable to joint ventures and associated companies in the PRC. Our effective tax rate, calculated by dividing the tax charges, including land appreciation tax (including the current and the deferred land appreciation tax), by our profit before tax, was 39.6%, 28.2%, 56.4% and 62.1% in 2014, 2015, 2016 and the six months ended June 30, 2017, respectively.

RESULTS OF OPERATIONS

The following table sets forth our results of operations for the periods indicated which are derived from the consolidated statements of comprehensive income included elsewhere in this offering memorandum. Our historical results presented below are not necessarily indicative of future results.

	For the year ended December 31,				For the six months ended June 30,		
	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000) (US\$'000)		2016 (RMB'000)	2017 (RMB'000) (US\$'000)	
Revenue	5,245,348	1,210,270	4,590,162	677,085	3,763,762	595,062	87,776
Cost of sales	(2,819,151)	(574,887)	(2,294,209)	(338,414)	(2,062,650)	(251,372)	(37,079)
Gross profit	2,426,197	635,383	2,295,953	338,671	1,701,112	343,690	50,697
Other income, other gains and losses	23,594	87,336	108,448	15,997	29,402	21,448	3,164
Selling expenses	(51,371)	(56,501)	(58,293)	(8,599)	(25,606)	(14,823)	(2,187)
Administrative expenses	(170,809)	(239,059)	(348,696)	(51,435)	(170,437)	(178,437)	(26,321)
Fair value changes on investment properties	887,591	426,816	247,498	36,508	624	175,845	25,939
Fair value changes on derivative financial instruments	–	–	15,022	2,216	–	41,373	6,103
Finance costs	(218,322)	(262,868)	(406,500)	(59,962)	(150,493)	(265,555)	(39,171)
Share of results of joint ventures	(40)	(30)	(9)	(1)	–	(92)	(14)
Profit before tax	2,896,840	591,077	1,853,423	273,394	1,384,602	123,449	18,210
Income tax expense	(1,148,266)	(166,492)	(1,044,757)	(154,110)	(814,525)	(76,678)	(11,311)
Profit for the year/period	1,748,574	424,585	808,666	119,285	570,077	46,771	6,899
Attributable to:							
Owners of the Company	1,746,606	417,780	802,297	118,345	564,167	43,172	6,368
Non-controlling interests	1,968	6,805	6,369	939	5,910	3,599	531
	1,748,574	424,585	808,666	119,285	570,077	46,771	6,899

Six months ended June 30, 2017 compared to six months ended June 30, 2016

Revenue

Our revenue for the six months ended June 30, 2017 was RMB595.1 million (US\$87.8 million), compared with RMB3,763.8 million for the six months ended June 30, 2016, representing a decrease of RMB3,168.7 million, or 84.2%, mainly due to a decrease in revenue from sales of properties held for sale.

Sales of properties. Our revenue from sales of properties held for sale was RMB236.1 million (US\$34.8 million) for the six months ended June 30, 2017, compared with RMB3,445.8 million for the six months ended June 30, 2016, representing a decrease of RMB3,209.7 million, or 93.1%, primarily due to a decrease in the GFA of properties held for sale sold from 118,153 sq.m. for the six months ended June 30, 2016 to 19,686 sq.m. for the six months ended June 30, 2017.

Rental income. Our rental income was RMB238.1 million (US\$35.1 million) for the six months ended June 30, 2017, compared with RMB209.7 million for the six months ended June 30, 2016, representing an increase of RMB28.4 million, or 13.5%, primarily due to an increase in the occupancy rate of our investment properties from 94% for the six months ended June 30, 2016 to 98% for the six months ended June 30, 2017 and rental income from Hongwan Zoll Center which commenced operations in January 2017.

Comprehensive services. Our revenue from comprehensive services was RMB120.9 million (US\$17.8 million) for the six months ended June 30, 2017, compared with RMB108.3 million for the six months ended June 30, 2016, representing an increase of RMB12.6 million, or 11.6%, primarily due to the expansion of hotel operation in United States.

Cost of sales

Our cost of sales was RMB251.4 million (US\$37.1 million) for the six months ended June 30, 2017, compared with RMB2,062.7 million for the six months ended June 30, 2016, representing a decrease of RMB1,811.3 million, or 87.8%, primarily due to the decrease in the properties held for sale.

Gross profit and gross profit margin

Our gross profit was RMB343.7 million (US\$50.7 million) for the six months ended June 30, 2017, compared with RMB1,701.1 million for the six months ended June 30, 2016, representing a decrease of RMB1,357.4 million, or 79.8%. Our gross profit margin increased from 45.2% for the six months ended June 30, 2016 to 57.8% for the six months ended June 30, 2017, mainly attributable to an increase in proportion of revenue derived from commercial property investment and operations.

Selling expenses

Our selling expenses was RMB14.8 million (US\$2.2 million) for the six months ended June 30, 2017, compared with RMB25.6 million for the six months ended June 30, 2016, representing a decrease of RMB10.8 million, or 42.2%, primarily due to a decrease in commission expenses associated with the decrease in property sale.

Administrative expenses

Our administrative expenses were RMB178.4 million (US\$26.3 million) for the six months ended June 30, 2017, compared with RMB170.4 million for the six months ended June 30, 2016, representing an increase of RMB8.0 million, or 4.7%, primarily due to the expansion of hotel operation in United States.

Fair value changes on investment properties

Our fair value changes on investment properties was RMB175.8 million (US\$25.9 million) for the six months ended June 30, 2017, compared with RMB0.6 million for the six months ended June 30, 2016, representing an increase of RMB175.2 million. The fair value gains on investment properties for the six months ended June 30, 2017 were primarily contributed from Tower A of Shenzhen New Urban Commercial Complex, 1866 Zoll Center and LYGEM Industrial Garden.

Finance costs

Our finance costs amounted to RMB265.6 million (US\$39.2 million) for the six months ended June 30, 2017, compared with RMB150.5 million for six months ended June 30, 2016, representing an increase of RMB115.1 million, or 76.5%. The increase in finance costs was due to an increase of our total loans (including borrowings and convertible bonds) to approximately RMB13,241.6 million (US\$1,953.2 million) as of June 30, 2017 from approximately RMB11,976.5 million as of December 31, 2016.

Income tax expenses

Our income tax expenses amounted to approximately RMB76.7 million (US\$11.3 million) for the six months ended June 30, 2017, compared with RMB814.5 million for the six months ended June 30, 2016, representing a decrease of RMB737.8 million, or 90.6%. The decrease of income tax expense was mainly attributable to a decrease in LAT provision to RMB2.5 million (US\$0.4 million) for the six months ended June 30, 2017 from RMB620.3 million for the six months ended June 30, 2016).

Profit of the period

As a result of the foregoing, our profit for the period was RMB46.8 million (US\$6.9 million) for the six months ended June 30, 2017, compared with RMB570.1 million for the six months ended June 30, 2016, representing a decrease of RMB523.3 million, or 91.8%.

Year ended December 31, 2016 compared to year ended December 31, 2015

Revenue

Our revenue was RMB4,590.2 million (US\$677.1 million) in 2016, compared with RMB1,210.3 million in 2015, representing an increase of RMB3,379.9 million, or 279.3%, primarily due to an increase in revenue from sales of properties held for sale.

Sales of properties. Our revenue from the sale of properties was RMB3,956.4 million (US\$583.6 million) in 2016, compared with RMB575.9 million in 2015, representing an increase of RMB3,380.5 million, or 587.0%, primarily due to sales of the high-rise residential buildings of LYGEM Hongwan Garden and other properties held for sale, as well as our high average unit selling price of LYGEM Hongwan Garden which amounted to approximately RMB45,800 per sq.m. as of December 31, 2016.

Rental income. Our rental income was RMB430.2 million (US\$63.5 million) in 2016, compared with RMB412.6 million in 2015, representing an increase of RMB17.6 million, or 4.3%, primarily due to (i) additional rental income from investment properties acquired in 2015 which contributed full year rental income in the year ended December 31, 2016; and (ii) an increase in the overall rent level of Shenzhen NEO Urban Commercial Complex.

Comprehensive services. Our revenue from comprehensive services was RMB203.6 million (US\$30.0 million) in 2016, compared with RMB221.8 million in 2015, representing a decrease of RMB18.2 million, or 8.2%, primarily due to decrease in revenue from others services provided for advertising and agent provided in the year December 31, 2016.

Cost of sales

Our cost of sales was RMB2,294.2 million (US\$338.4 million) in 2016, compared with RMB574.9 million in 2015, representing an increase of RMB1,719.3 million, or 299.1%. The increases is primarily due to an increase in the cost of property development and sales as a result of the delivery of properties in LVGEM Hongwan Garden.

Gross profit and gross profit margin

Our gross profit was RMB2,296.0 million (US\$338.7 million) in 2016, compared with RMB635.4 million in 2015, representing an increase of RMB1,660.6 million, or 261.3%. Our gross profit margin decreased to 50.0% in 2016 from 52.5% in 2015, primarily due to the increase in proportion of revenue from sales of properties held for sale which has a lower gross profit margin during the year.

Selling expenses

Our selling expenses were RMB58.3 million (US\$8.6 million) in 2016, compared with RMB56.5 million in 2015, representing an increase of RMB1.8 million, or 3.2%, primarily due to the increase in sales agent fees and research and planning fees.

Administrative expenses

Our administrative expenses were RMB348.7 million (US\$51.4 million) in 2016, compared with RMB239.1 million in 2015, representing an increase of RMB109.6 million, or 45.8%, primarily due to the share options granted by the Group in 2016. The amortization expenses for such share options amounted to approximately RMB128.4 million (US\$18.9 million).

Fair value changes on investment properties

Our fair value gains on investment properties was RMB247.5 million (US\$36.5 million) in 2016, compared with RMB426.8 million in 2015, representing a decrease of RMB179.3 million, or 42.0%. The fair value gains on investment properties in 2016 were primarily contributed from Mangrove Bay No. 1 Zoll Center and Shenzhen NEO Urban Commercial Complex.

Finance costs

Our finance costs were RMB406.5 million (US\$60.0 million) in 2016, compared with RMB262.9 million in 2015, representing an increase of RMB143.6 million, or 54.6%, primarily due to an increase of the Group's total loans (including borrowings and convertible bonds) to RMB11,976.5 million as at 31 December 2016 from RMB8,233.9 million as of 31 December 2015. The total interest expense in 2016 was RMB624.1 million (US\$92.1 million) of which RMB217.6 million (US\$32.1 million) has been capitalized into investment properties under development and properties under development for sale.

Income tax expense

Our income tax expense was RMB1,044.8 million (US\$154.1 million) in 2016, compared with RMB166.5 million in 2015, representing an increase of RMB878.3 million, or 527.5%, primarily due to an increase in LAT as a result of the recognized sale of properties held for sale of LVGEM Hongwan Garden.

Profit for the year

As a result of the foregoing, our profit for the year was RMB808.7 million (US\$119.3 million) in 2016, compared with RMB424.6 million in 2015, representing an increase of RMB384.1 million, or 90.5%.

Year ended December 31, 2015 compared to year ended December 31, 2014

Revenue

Our revenue was RMB1,210.3 million in 2015, compared with RMB5,245.3 million in 2014, representing a decrease of RMB4,035.0 million, or 76.9%, primarily due to a decrease in revenue from sales of properties held for sale.

Sale of properties. Our revenue from the sale of properties was RMB575.9 million in 2015, compared with RMB4,687.5 million in 2014, representing a decrease of RMB4,111.6 million, or 87.7%, primarily due to a decrease in total GFA from 259,000 sq.m. to 84,000 sq.m. of which the main reason is the substantially delivered and recognized GFA of 190,437 sq.m. in 2014 of LVGEM 1866 Garden.

Rental income. Our rental income was RMB412.6 million in 2015, compared with RMB359.3 million in 2014, representing an increase of RMB53.3 million, or 14.8%, primarily due to (i) the commencement of operating 1866 Zoll Center in May 2014; and (ii) the acquisition of two commercial centers in Suzhou in May 2014, which contributed full year rental income to our Group in 2015.

Comprehensive services. Our revenue from comprehensive services was RMB221.8 million in 2015, compared with RMB198.5 million in 2014, representing an increase of RMB23.3 million, or 11.7%, primarily due to an increase in revenue from property management services from RMB79.2 million in 2014 to RMB103.9 million in 2015 as our Group started to provide property management services to 1866 Zoll Center since May 2014.

Cost of sales

Our cost of sales was RMB574.9 million in 2015, compared with RMB2,819.2 million in 2014, representing a decrease of RMB2,244.3 million, or 79.6%. The decrease is primarily due to a decrease in our costs of property development and sales, which in turn was due to an overall decrease in our recognized GFA.

Gross profit and gross profit margin

Our gross profit was RMB635.4 million in 2015, compared with RMB2,426.2 million in 2014, representing a decrease of RMB1,790.8 million, or 73.8%. Our gross profit margin increased to 52.5% in 2015 from 46.3% in 2014, primarily due to an increased profit contribution from commercial property investment and operations segment, which has a higher gross profit margin than that of the property development and sale segment.

Selling expenses

Our selling expenses were RMB56.5 million in 2015, compared with RMB51.4 million in 2014, representing an increase of RMB5.1 million, or 9.9%, primarily due to an increase in marketing and promotion activities for the pre-sale of LVGEM Hongwan Garden.

Administrative expenses

Our administrative expenses were RMB239.1 million in 2015, compared with RMB170.8 million in 2014, representing an increase of RMB68.3 million, or 40.0%, primarily due to the expenses incurred in relation to a net assets injection from Green View Holding Company Limited via reverse takeover during 2015.

Fair value changes on investment properties

Our fair value gains on investment properties was RMB426.8 million in 2015, compared with RMB887.6 million in 2014, representing a decrease of RMB460.8 million, or 51.9%. Increase in our fair value was mainly attributed by an increase in fair value of the Tower A of Shenzhen NEO Urban Commercial Complex, LVGEM Hongwan Garden and Mangrove Bay No. 1 Zoll Center.

Finance costs

Our finance costs were RMB262.9 million in 2015, compared with RMB218.3 million in 2014, representing an increase of RMB44.6 million, or 20.4%, primarily due to an increase in loans and borrowings from RMB8,094.8 million in 2014 to RMB8,233.9 million in 2015 for the financing of the development of Mangrove Luxury Garden in 2015. The total interest expense in 2015 was RMB603.4 million of which RMB340.5 million has been capitalized into investment properties under development and properties under development for sale.

Income tax expense

Our income tax expense was RMB166.5 million in 2015, compared with RMB1,148.3 million in 2014, representing a decrease of RMB981.8 million, or 85.5%, primarily due to an decrease in the profit before income tax from RMB2,896.84 million in 2014 to RMB591.08 million in 2015.

Profit for the year

As a result of the foregoing, our profit for the year was RMB424.6 million in 2015, compared with RMB1,748.6 million in 2014, representing a decrease of RMB1,324.0 million, or 75.7%.

LIQUIDITY AND CAPITAL RESOURCES

We primarily use cash to pay for construction costs and land acquisition costs, service our indebtedness and fund working capital requirements. To date, we have primarily financed our expenditures through internally generated cash flows, proceeds from the pre-sale and sale of properties, leasing of investment properties, proceeds from comprehensive services, bank loans, other borrowings and funds raised from the capital markets including our reverse takeover listing, the issue of offshore convertible notes and the issue of domestic corporate bonds. Going forward, we believe our liquidity requirements will be satisfied by the above-mentioned sources and additional funds raised from the capital markets from time to time.

The following table sets forth selected cash flow data from our consolidated statements of cash flows for the years/period indicated:

	For the year ended December 31,				For the six months ended June 30,		
	2014	2015	2016		2016	2017	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(RMB'000)	(US\$'000)
Net cash (used in)/from operating activities	(332,683)	1,472,436	(742,742)	(109,560)	523,625	(801,843)	(118,278)
Net cash used in investing activities	(814,487)	(1,000,418)	(1,495,168)	(220,549)	(1,873,204)	(254,879)	(37,597)
Net cash from/(used in) financing activities	1,912,573	(373,322)	3,314,823	488,962	1,770,298	957,848	141,290
Net increase/(decrease) in cash and cash equivalents	765,403	98,696	1,076,913	158,853	420,719	(98,874)	(14,585)
Effect of foreign exchange rate changes	(3,363)	1,235	774	115	–	(3,851)	(568)
Cash and cash equivalents at beginning of year/period	652,588	1,414,628	1,514,559	223,409	1,514,559	2,592,246	382,377
Cash and cash equivalents at the end of year/period	1,414,628	1,514,559	2,592,246	382,377	1,935,278	2,489,521	367,224

Operating Activities

We generate cash flow from operating activities primarily from property sales, rental income and comprehensive services income. Cash used in operating activities includes primarily investment in property developments and payments of income taxes.

In the six months ended June 30, 2017, our net cash used in operating activities was RMB801.8 million (US\$118.3 million), primarily attributable to (i) income taxes paid of RMB35.4 million (US\$5.2 million) and (ii) cash used in operations of RMB766.4 million (US\$113.1 million). Cash generated from operations prior to changes in working capital was RMB203.5 million (US\$30.0 million). Changes in working capital contributed to a net cash outflow of RMB969.9 million (US\$143.1 million), consisting primarily of (i) a decrease in accounts payable, accruals, deposits received and other payables of RMB133.4 million (US\$19.7 million), (ii) an increase in properties under development for sale and properties held for sale of RMB548.2 million (US\$80.9 million) and (iii) an increase in accounts receivable, deposits paid, prepayments and other receivables of RMB288.4 million (US\$42.5 million).

In 2016, our net cash used in operating activities was RMB742.7 million (US\$109.5 million), primarily attributable to (i) income taxes paid of RMB585.2 million (US\$86.3 million) and (ii) cash used in operations of RMB157.5 million (US\$23.2 million). Cash generated from operations prior to changes in working capital was RMB2,079.7 million (US\$306.8 million). Changes in working capital contributed to a net cash outflow of RMB2,237.2 million (US\$330.0 million), consisting primarily of (i) a decrease in accounts payable, accruals, deposits received and other payables of RMB3,578.7 million (US\$527.9 million), partially offset by (i) a decrease in properties under development for sale and properties held for sale of RMB696.8 million (US\$102.8 million) and (ii) a decrease in accounts receivable, deposits paid, prepayments and other receivables of RMB644.8 million (US\$95.1 million).

In 2015, our net cash generated from operating activities was RMB1,472.4 million, primarily attributable to cash generated from operations of RMB1,854.2 million, offset by income taxes paid of RMB381.8 million. Cash generated from operations prior to changes in working capital was RMB404.2 million. Changes in working capital contributed to a net cash inflow of RMB1,450.0 million, consisting primarily of (i) an increase in accounts payable, accruals, deposits received and other payables of RMB2,680.1 million, partially offset by (i) an increase in accounts receivables, deposits paid, prepayments and other receivables of RMB722.8 million, (ii) an increase in properties under development for sale and properties held for sale of RMB508.3 million.

In 2014, our net cash used in operating activities was RMB332.7 million, primarily attributable to (i) income taxes paid of RMB220.7 million and (ii) cash used in operations of RMB112.0 million. Cash generated from operations prior to changes in working capital was RMB2,256.6 million. Changes in working capital contributed to a net cash outflow of RMB2,368.6 million, consisting primarily of (i) an decrease in accounts payable, accruals, deposits received and other payables of RMB3,429.6 million, partially offset by a decrease in properties under development for sale and properties held for sale of RMB1,002.9 million.

Investing Activities

In the six months ended June 30, 2017, our net cash used in investing activities was RMB254.9 million (US\$37.6 million), primarily attributable to (i) placement of restricted bank deposits of RMB3,574.1 million (US\$527.2 million), (ii) advances to related companies of RMB928.8 million (US\$137.0 million), and (iii) placement of short-term time deposits with maturity beyond three months but within one year of RMB300.0 million (US\$44.3 million), partially offset by (i) withdrawal of restricted bank deposits of RMB3,123.3 million (US\$460.7 million), (ii) repayment from related companies of RMB1,233.8 million (US\$ 182.0 million), and (iii) proceeds from disposal of other current assets of RMB150.0 million (US\$22.1 million).

In 2016, our net cash used in investing activities was RMB1,495.2 million (US\$220.6 million), primarily attributable to (i) placement of restricted bank deposits of RMB6,044.9 million (US\$891.7 million), (ii) advances to related companies of RMB623.9 million (US\$92.0 million), and (iii) acquisition of subsidiaries of RMB606.8 million (US\$89.5 million), partially offset by (i) withdrawal of restricted bank deposits of RMB5,559.3 million (US\$820.0 million), (ii) repayment from related companies of RMB821.0 million (US\$121.1 million), and (iii) proceeds from disposal of other current assets of RMB402.4 million (US\$59.4 million).

In 2015, our net cash used in investing activities was RMB1,000.4 million, primarily attributable to (i) advances to related companies of RMB1,099.6 million, (ii) placement of restricted bank deposits of RMB757.3 million, and (iii) acquisition of subsidiaries of RMB145.2 million, partially offset by (i) repayment from related companies of RMB364.1 million, (ii) proceeds from disposal of other current assets of RMB273.2 million, and (iii) withdrawal of restricted bank deposits of RMB264.4 million.

In 2014, our net cash used in investing activities was RMB814.5 million, primarily attributable to (i) advances to related parties of RMB981.7 million, (ii) additional costs of investment properties of RMB509.5 million, (iii) placement of restricted bank deposits of RMB388.7 million, partially offset by (i) repayment from related parties of RMB892.4 million, and (ii) net cash inflow arising from the acquisition of RMB379.5 million.

Financing Activities

In the six months ended June 30, 2017, our net cash from financing activities was RMB957.8 million (US\$141.3 million), primarily attributable to (i) proceeds from new borrowings of RMB2,537.0 million (US\$374.2 million) , partially offset by (i) repayments of borrowings of RMB1,279.6 million (US\$188.7 million), and interest paid of RMB299.5 million (US\$44.2million).

In 2016, our net cash generated from financing activities was RMB3,314.8 million (US\$489.0 million), primarily attributable to (i) proceeds from new borrowings of RMB2,985.2 million (US\$440.3 million) and (ii) proceeds from issue of a domestic corporate bond of RMB2,600.0 million (US\$383.5 million), partially offset by (i) repayments of borrowings of RMB2,427.5 million (US\$358.1 million), and interest paid of RMB650.0 million.

In 2015, our net cash used in financing activities was RMB373.3 million, primarily attributable to (i) repayment of borrowings of RMB4,407.4 million, and (ii) net cash outflow arising from the transaction that Mr. Wong Hong King sold the entire equity interest in Green View Holding Company Limited and its subsidiaries to Urban Thrive Holdings Limited of RMB1,342.4 million, partially offset by proceeds from new borrowings of RMB4,503.4 million.

In 2014, our net generated from financing activities was RMB1,912.6 million, primarily attributable to (i) proceeds from new borrowings of RMB4,390.0 million and (ii) proceeds from issue of share capital of RMB4.3 million, partially offset by (i) repayments of borrowings of RMB1,877.2 million and (ii) interest paid of RMB604.6 million.

INDEBTEDNESS AND CONTINGENT LIABILITIES

Indebtedness

The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31,				As of June 30,	
	2014	2015	2016		2017	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(US\$'000)
Borrowings comprise						
Variable rate bank loans . . .	4,612,474	6,540,535	8,228,366	1,213,749	9,649,916	1,423,438
Fixed rate bank loans	1,742,500	944,865	272,845	40,247	192,530	28,400
Other borrowings	1,680,000	680,000	280,000	41,302	250,000	36,877
Loans from non-controlling interests . . .	59,859	83,536	66,544	9,816	–	–
Domestic corporate bond . . .	–	–	2,600,000	383,520	2,600,000	383,520
Convertible bonds	–	–	559,186	82,484	577,104	85,127
	<u>8,094,833</u>	<u>8,248,936</u>	<u>12,006,941</u>	<u>1,771,118</u>	<u>13,269,550</u>	<u>1,957,362</u>
Less: Front-end fee	–	(15,055)	(30,488)	(4,497)	(27,920)	(4,118)
	<u>8,094,833</u>	<u>8,233,881</u>	<u>11,976,453</u>	<u>1,766,621</u>	<u>13,241,630</u>	<u>1,953,244</u>
Analyzed as:						
– Secured	8,010,932	8,150,345	8,597,491	1,268,198	9,992,047	1,473,905
– Unsecured	83,901	83,536	3,378,962	498,423	3,249,583	479,339
	<u>8,094,833</u>	<u>8,233,881</u>	<u>11,976,453</u>	<u>1,766,621</u>	<u>13,241,630</u>	<u>1,953,244</u>

Other than loans from non-controlling interests of subsidiaries with a carrying amount of RMB59.9 million, RMB63.4 million and RMB66.5 million (US\$9.8 million) as of December 31, 2014, 2015 and 2016, respectively, and the convertible bonds with a carrying amount of RMB577.1 million denominated in United States dollars, all of our bank and other borrowings were denominated in RMB and HKD as of December 31, 2014, 2015, 2016 and June 30, 2017. See “Description of Other Material Indebtedness and Obligations.”

The following table sets forth the breakdown of our indebtedness by maturity date as of the dates indicated:

	As of December 31,				As of June 30,	
	2014	2015	2016		2017	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(US\$'000)
Borrowings payable:						
Within one year or on demand	1,769,737	1,676,275	3,580,323	528,126	4,614,914	680,736
Between 1 and 2 years . . .	2,714,865	2,786,866	2,062,633	304,255	1,046,887	154,424
Between 2 and 5 years . . .	2,343,110	1,794,137	4,022,903	593,410	4,678,142	690,063
Beyond five years	1,267,121	1,991,658	1,781,896	262,803	2,352,503	347,012
Convertible bonds (Maturity date: November 2018)	—	—	559,186	82,484	577,104	85,127
Total borrowings	8,094,833	8,248,936	12,006,941	1,771,118	13,269,550	1,957,362
Less: Amount due within one year shown under current liabilities	(1,769,737)	(1,676,275)	(3,580,323)	(528,126)	(4,614,914)	(680,736)
Less: Front-end fee	—	(15,055)	(30,488)	(4,497)	(27,920)	(4,118)
Amount due after one year	6,325,096	6,557,606	8,396,130	1,238,495	8,626,716	1,272,508

Certain of our bank and other borrowings are secured by our properties under development for sale, properties held for sale, investment properties, properties, plant and equipment, and pledged deposits of our group.

The following table sets forth the breakdown of our indebtedness by currency denomination as of the dates indicated:

	As of December 31,						As of June 30,			
	2014		2015		2016			2017		
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	(US\$'000)	%	(RMB'000)	(US\$'000)	%
RMB	8,032,932	99.2	8,148,979	99.0	10,695,641	1,577,691	89.3	12,012,222	1,771,897	90.7
HK\$	2,043	0.1	21,493	0.3	655,082	96,630	5.5	652,304	96,220	4.9
US\$	59,858	0.7	63,409	0.7	625,730	92,300	5.2	577,104	85,127	4.4
Total	8,094,833	100.0	8,233,881	100.0	11,976,453	1,766,621	100.0	13,241,630	1,953,244	100.0

Contingent Liabilities

We enter into arrangements with PRC commercial banks to provide mortgage facilities to our customers to purchase our properties. In accordance with industry practice, we are required to provide guarantees to these banks in respect of mortgages provided to such customers. Guarantees for such mortgages are generally discharged at the earlier of: (i) registration of mortgage interest to the bank, or (ii) the settlement of mortgage loans between the mortgagee banks and the purchasers. In addition, we are required by the banks to place a security deposit to secure our guarantee obligations. If a purchaser defaults on the mortgage loan, we are typically required to purchase the underlying property by paying off the mortgage loan with any accrued and unpaid interest and penalty based on the loan agreement. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. Such amount may also be settled through withholding the security deposit we place with the banks. As of December 31, 2014, 2015, 2016 and June 30, 2017, our maximum amount of guarantees provided to banks for mortgage facilities granted to our customers amounted to RMB170.0 million, RMB2,140.3 million, RMB2,479.5 million (US\$365.7 million) and RMB575.6 million (US\$84.9 million), respectively.

Commitments

In 2014, 2015, 2016 and the six months ended June 30, 2017, our contractual commitments consisted primarily of capital commitments we made in relation to land acquisitions and construction costs for our investment properties under construction and properties under development.

Operating Lease Arrangements

(a) As lessor

We lease certain of our land and buildings under operating lease arrangements. The following table sets forth our future minimum lease receivables under non-cancellable operating leases as of the dates indicated:

	As of December 31,				As of June 30,	
	2014	2015	2016		2017	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(US\$'000)
Within one year . . .	270,173	396,608	418,318	61,705	475,397	70,125
In the second to fifth years	462,325	724,945	781,172	115,229	987,149	145,612
Over five years	95,279	303,129	183,692	27,096	230,412	33,988
Total	827,777	1,424,682	1,383,182	204,030	1,692,958	249,725

(b) As lessee

We lease certain of the land and buildings under operating lease arrangements. The following table sets forth our future minimum lease payments under non-cancellable operating leases as of the dates indicated:

	As of December 31,				As of June 30,	
	2014	2015	2016		2017	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(US\$'000)
Within one year . . .	25,977	26,033	21,900	3,230	21,079	3,109
In the second to fifth years	79,596	77,819	75,552	11,145	73,202	10,798
Over five years	60,745	42,881	25,137	3,708	16,265	2,399
Total	166,318	146,733	122,589	18,083	110,546	16,306

Capital Commitments

Our capital commitments primarily relate to development costs. The following table sets forth our capital commitments as of the dates indicated:

	As of December 31,				As of June 30,	
	2014	2015	2016		2017	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(US\$'000)
Contracted but not provided for:						
– Investment properties under development and properties under development for sale	909,672	1,520,840	926,526	136,670	1,787,485	263,668
– Acquisition of equity interest	–	–	1,890,000	278,790	1,890,000	278,790
Total	909,672	1,520,840	2,816,526	415,460	3,677,485	542,458

Off-balance Sheet Arrangements

Except for the contingent liabilities disclosed, we have not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. We do not have any variable interest 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 RISK

We are exposed to various types of market risks, including market risk, interest rate risk, foreign currency risk, credit risk and liquidity risk in the normal course of our business.

Interest rate risk

Our income and operating cash flows are substantially independent of changes in market interest rates. Other than deposits held at banks, we do not have significant interest-bearing assets. Our exposure to the risk of changes in market interest rates relates primarily to our long term debt obligations. Borrowings at floating rates expose us to cash flow interest rate risk. Borrowings at fixed rates expose us to fair value interest rate risk. Since we have mainly entered into floating interest rate loans, there is no significant fair value interest rate risk. We have not used any interest rate swaps to hedge our exposure to interest rate risk.

Foreign currency risk

All of our turnover and substantially all of our operating expenses are denominated in RMB, which is currently not a freely convertible currency. The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Shortages in the availability of foreign currencies may restrict the ability of our PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other amounts to us.

Under the existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange by complying with certain procedural requirements. However, approval from appropriate PRC governmental authorities is required where RMB is to be converted into a foreign currency and remitted out of the PRC to pay capital account items, such as the repayment of bank and other borrowings denominated in foreign currencies.

Currently, our PRC subsidiaries may purchase foreign currencies for settlement of current account transactions, including payment of dividends to us, without prior approval of the State Administration of Foreign Exchange. Our PRC subsidiaries may also retain foreign currencies in their current accounts to satisfy foreign currency liabilities or to pay dividends. Since foreign currency transactions on the capital account are still subject to limitations and require approval from the State Administration of Foreign Exchange, this could affect our subsidiaries' ability to obtain required foreign exchange through debt or equity financing, including by means of loans or capital contributions from us.

Our financial assets and liabilities, including certain short term deposits denominated in Hong Kong dollars, are subject to foreign currency risk. Therefore, the fluctuations in the exchange rates of RMB against foreign currencies could affect our results of operations. There are limited hedging instruments available in the PRC to reduce our exposure to exchange rate fluctuations between RMB and other currencies. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all.

Credit risk

It is our policy that all customers are required to pay deposits in advance of the purchase of properties. In addition, we do not have any significant credit risk as the credit given to any individual or corporate entity is not significant. There is no significant concentration of credit risk within us.

The credit risk of our financial assets, which mainly comprise financial guarantees, cash and short term deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both our financial instruments and financial assets and projected cash flows from operations. Our objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. In addition, banking facilities are available for contingency purposes.

NON-GAAP FINANCIAL MEASURES

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

- Finance costs;
- Capitalized interest included in cost of sales;
- Income tax expense;
- Depreciation and amortization;
- Other income, other gains and losses;
- Fair value changes on investment properties;
- Fair value changes on derivative financial instruments;
- Share of results of joint ventures; and
- Equity-settled share-based payments

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 years/periods under HKFRS to our definition of EBITDA for the years/periods indicated.

	For the year ended December 31,				For the six months ended June 30,		
	2014	2015	2016		2016	2017	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(RMB'000)	(US\$'000)
Profit for the years/periods	1,748,574	424,585	808,666	119,285	570,077	46,771	6,899
Adjustments							
Finance costs	218,322	262,868	406,500	59,962	150,493	265,555	39,171
Capitalized interest included in cost of sales	84,596	43,923	200,992	29,648	172,495	16,897	2,492
Income tax expense	1,148,266	166,492	1,044,757	154,110	814,525	76,678	11,311
Depreciation and amortization	49,313	52,687	39,934	5,890	18,911	21,664	3,196
Other income, other gains and losses	(23,594)	(87,336)	(108,448)	(15,997)	(29,402)	(21,448)	(3,164)
Fair value changes on investment properties	(887,591)	(426,816)	(247,498)	(36,508)	(624)	(175,845)	(25,939)
Fair value changes on derivative financial instruments	–	–	(15,022)	(2,216)	–	(41,373)	(6,103)
Share of results of joint ventures	40	30	9	1	–	92	14
Equity-settled share-based payments	–	–	128,404	18,941	68,515	58,176	8,581
EBITDA	<u>2,337,926</u>	<u>436,433</u>	<u>2,258,294</u>	<u>333,116</u>	<u>1,764,990</u>	<u>247,167</u>	<u>36,458</u>
Revenue	5,245,348	1,210,270	4,590,162	677,085	3,763,762	595,062	87,776
EBITDA margin ⁽¹⁾	44.6%	36.1%	49.2%	49.2%	46.9%	41.5%	41.5%

Note:

(1) EBITDA margin equals to EBITDA divided by revenue.

INDUSTRY OVERVIEW

The information in the section below has been derived, in part, from various government publications unless otherwise indicated. We have endeavored to obtain the most recent sources available. This information has not been independently verified by us, the Initial Purchasers, the Trustee, the Agents 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.

OVERVIEW OF THE PRC ECONOMY

The PRC economy has grown significantly since the beginning of economic reforms in 1978. The PRC's accession to the World Trade Organization in 2001 has further accelerated the reform of the PRC economy. The PRC's nominal GDP increased from approximately RMB31,952 billion in 2008 to approximately RMB74,413 billion in 2016 at a compound annual growth rate, or CAGR, of approximately 11.1%.

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

	Economic statistics of the PRC								
	2008	2009	2010	2011	2012	2013	2014	2015	2016
	(in billion, except percentages)								
Nominal GDP (RMB)	31,952	34,090	41,303	48,930	54,037	59,524	64,397	68,905	74,413
Real GDP growth rate	9.7%	9.4%	10.6%	9.5%	7.9%	7.8%	7.3%	6.9%	6.7%
Per capita GDP (RMB)	24,121	26,222	30,876	36,403	40,007	43,852	47,203	49,229	53,980
Total investment in fixed (RMB)	17,283	22,460	25,168	31,149	37,468	44,629	51,202	56,200	60,647
Fixed-asset investment growth	25.9%	30.0%	12.1%	23.8%	20.3%	19.1%	14.7%	9.8%	7.9%
Foreign direct investment (USD)	92.4	90.0	105.7	116.0	111.7	117.6	119.6	126.3	126.0

Source: National Bureau of Statistics of China, MOFCOM

Currently, the PRC economy is undergoing a transition from an investment-driven economy to a consumption-driven one. The real GDP growth of the PRC moderated to approximately 6.7% in 2016 from approximately 9.7% in 2008, yet it remains among the fastest growing economies in the world. The PRC government is targeting real GDP growth of approximately 6.5% for the 13th Five-Year Plan¹ period.

In 2016, the PRC had a total population of approximately 1.38 billion, while population growth has slowed to less than 1% since the late 1990s, the urban population has continued to grow. In 2016, approximately 57.3% of the population live in urban areas, compared to approximately 45.7% in 2008. The rising urban population drives the needs for urban housing and other infrastructure, stimulating the growth

¹ A Five-Year Plan is a series of social and economic development initiatives. The 13th Five-Year Plan, which covers 2016 to 2020, was approved by the National People's Congress of the PRC on March 5, 2016 with the goals of addressing rising inequality and creating an environment for more sustainable growth by prioritizing more equitable wealth distribution, increased domestic consumption, and improved social infrastructure and social safety nets.

of the real estate market. In addition, with the disposable income of urban households being substantially higher than rural households, urbanization is an important factor contributing to the increase of domestic consumption.

OVERVIEW OF THE REAL ESTATE MARKET IN THE PRC

We believe the economic growth of the PRC, the increase in disposable income, the emergence of the mortgage lending market and the increase in the urbanization rate, are key factors in sustaining the growth of the PRC's property market. Government housing reforms continue to encourage private ownership and it is expected that an increasing proportion of urban residents owning private properties will continue to increase over the coming years in the near future. According to the National Bureau of Statistics of China, the PRC's urbanization rate, i.e., the proportion of the population residing in urban areas, rose from approximately 45.7% in 2008 to approximately 57.3% in 2016. The increase in the urban population of the PRC will likely result in the increase in demand for residential properties. The table below describes the PRC's urbanization rate for the years 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>
	(in million, except percentages)								
Urban population. . . .	606.7	621.9	665.6	690.8	711.8	731.1	749.2	771.2	793.0
Total population	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. . . .	45.7%	46.6%	49.7%	51.3%	52.6%	53.7%	54.8%	56.1%	57.3%

Supply of properties in the PRC also increased from approximately 665.4 million sq.m. in 2008 to approximately 1,061.3 million sq.m. in 2016.

The table below sets out selected data relating to the PRC property market for the years 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>
Total GFA completed (million sq.m.)	665.4	726.8	787.4	926.2	994.3	1,014.4	1,074.6	1,000.4	1,061.3
Total GFA sold (million sq.m.)	659.7	947.6	1,047.6	1,093.7	1,113.0	1,305.5	1,206.5	1,285.0	1,573.5
GFA of residential properties sold (million sq.m.)	592.8	861.9	933.7	965.3	984.7	1,157.2	1,051.8	1,124.1	1,375.4
Average price of commodity properties (RMB per sq.m.) . . .	3,800	4,681	5,032	5,357	5,709	6,237	6,323	6,793	7,476
Average price of residential properties (RMB per sq.m.) . . .	3,576	4,459	4,725	4,993	5,430	5,850	5,932	6,473	7,203

Source: National Bureau of Statistics of China

The total GFA sold was different from the total GFA completed in the years indicated because of the difference in timing of completion and sales of properties. Total GFA completed and GFA of residential properties sold increased from approximately 665.4 million sq.m. and 592.8 million sq.m. in 2008 to approximately 1,061.3 million sq.m. and 1,375.4 million sq.m. in 2016 due to continuation of urbanization and hence construction and sales of residential units.

The average price of commodity properties sold in the PRC increased from RMB3,800 per sq.m. in 2008 to RMB7,476 per sq.m. in 2016, while the average price of residential properties sold increased from RMB3,576 per sq.m. to RMB7,203 per sq.m. during the same period.

THE URBAN REDEVELOPMENT MARKET IN SHENZHEN

Urban redevelopment was proposed in 1994, and has developed vigorously over the years with the implementation of the corresponding legislations and regulations. According to Centaline Research Center Shenzhen, new land supply has decreased significantly since 2010. In particular, the average price for residential land transaction has increased significantly since 2013. Since 2010, land released from urban redevelopment has become a more important source of new land supply in Shenzhen and accounted for 56.9% in new land supply in 2016. According to the 2012 work report by the Shenzhen government, development space by way of urban redevelopment will be further released to encourage city development through secondary development of existing land. Taking into account the decreased quantity of land available for bid invitations, auctions and listings in recent years, urban redevelopment has become an increasingly common method for developers to acquire land reserves.

THE REAL ESTATE MARKETS OF SELECT AREAS IN THE PRC

Shenzhen

Shenzhen, China's first special economic zone, has attracted significant foreign direct investment. Shenzhen is a major container port and manufacturing center, and is the headquarters of some China's high-tech companies. Shenzhen had a population of approximately 11.91 million as of December 31, 2016, with a nominal GDP of RMB1,949 billion.

On July 1, 2010, the Shenzhen special economic zone was expanded from the original area of 396 sq.km. to 1,952 sq.km. Going forward, Shenzhen plans to further develop cross-border inter-commercial links with Hong Kong, including the planned Guangzhou-Shenzhen-Hong Kong Express Rail Link.

Shenzhen is among one of the four tier 1 cities in China. It has the highest population density and highest proportion of young population aged 25-34 among tier 1 cities.

Tier 1 Cities Demographics

City	Administrative	Residents ¹	Population	% Population Aged 25-34 as of Total Population ²
	Area ¹		Density ¹	
	(sq.km.)	('000 people)	(people/sq.km.)	
Shenzhen	1,997	11,379	5,697	30.5
Guangzhou	7,434	13,501	1,816	21.1
Shanghai	6,341	24,153	3,809	20.2
Beijing	16,411	21,705	1,323	20.8

Note:

(1) As of end of 2015.

(2) The 2010 Population Census of the PRC.

The table below sets forth certain economic statistics of Shenzhen and key statistics related to the residential property market in Shenzhen for the years indicated:

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Population									
(‘000)	9,543	9,950	10,372	10,467	10,547	10,629	10,779	11,379	11,908
Nominal GDP									
(RMB billion)	779	829	977	1,152	1,297	1,457	1,600	1,750	1,949
Real GDP growth									
rate (%)	12.1	10.7	12.0	10.0	10.0	10.5	8.8	8.9	9.0
Per capita GDP (RMB)	83,431	85,060	96,184	110,520	123,451	136,945	149,495	157,985	167,411
GFA completed									
(‘000 sq.m.)	6,297	4,020	3,444	3,250	4,258	3,536	4,253	3,603	4,900
GFA under construction									
(‘000 sq.m.)	32,763	31,124	29,399	28,760	32,167	40,035	44,922	49,784	51,740
Total floor space of									
office building sold									
(‘000 sq.m.)	55.9	196.3	150.0	99.0	59.8	213.1	231.7	565.4	505.7
ASP (RMB/sq.m.)	12,665	14,615	19,170	21,350	19,590	24,402	24,723	33,942	45,146
Residential ASP.	12,823	14,389	18,954	21,037	18,996	23,427	24,040	33,661	45,498

Source: Statistics Bureau of Shenzhen Municipality

Dongguan

Dongguan, being a prefecture-level city in central Guangdong Province, is an important industrial city located in the Pearl River Delta. It is also the fourth largest city in Guangdong Province in terms of GDP in 2016, reached approximately RMB683 billion, following Guangzhou, Shenzhen and Foshan.

The table below sets forth certain economic statistics for Dongguan and key statistics related to the residential property market in Dongguan for the years indicated:

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Population									
(‘000)	7,506	7,861	8,225	8,255	8,292	8,317	8,343	8,254	8,261
Nominal GDP (RMB									
billion)	370	379	428	477	504	552	588	627	683
Real GDP growth (%)	14.0	5.3	10.3	8.0	6.1	9.8	7.8	8.0	8.1
Per capita GDP									
(RMB)	50,471	49,273	53,913	57,913	60,907	66,440	70,605	75,616	82,682
GFA completed (‘000									
sq.m.)	3,952	2,681	2,561	2,423	3,624	2,649	4,104	3,254	2,327
GFA under									
construction									
(‘000 sq.m.)	16,952	20,501	16,866	23,966	24,539	28,379	35,857	39,212	44,087
GFA sold (‘000									
sq.m.)	5,096	6,041	5,113	5,956	6,391	8,031	6,651	10,770	10,619
ASP (RMB/sq.m.)	5,567	5,846	7,311	7,717	8,486	9,066	9,685	9,992	13,744

Source: Dongguan Statistics Bureau

Maoming

Maoming is located in the southwestern region of Guangdong Province. As of 31 Dec 2016, Maoming had a population of approximately 6.12 million. Maoming's GDP reached approximately RMB263 billion in 2016.

The table below sets forth certain economic statistics for Maoming and key statistics related to the residential property market in Maoming for the years indicated:

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Population ('000)	5,934	5,878	5,826	5,883	5,969	6,013	6,049	6,081	6,123
Nominal GDP (RMB billion)	121	124	149	174	193	216	234	244	263
Real GDP growth rate (%)	9.8	10.3	14.1	10.8	10.6	13.2	10.4	8.4	7.1
Per capita GDP (RMB)	20,013	20,118	25,496	29,811	32,678	36,063	38,951	40,324	43,211
GFA completed ('000 sq.m.)	N/A	909	1,546	2,322	2,143	1,029	1,487	4,978	1,046
GFA under construction ('000 sq.m.)	N/A	4,331	6,672	8,188	9,137	10,281	12,123	23,113	15,970
GFA sold ('000 sq.m.)	1,479	1,657	1,989	2,818	3,277	3,299	2,584	2,704	3,212

Source: Maoming Statistics Bureau

Note: N/A means data not available.

Zhuhai

Zhuhai is one of China's special economic zones and is situated immediately north and west of Macau. Zhuhai had a population of approximately 1.68 million as of December 31, 2016, with a nominal GDP of RMB223 billion.

The table below sets forth certain economic statistics for Zhuhai and key statistics related to the residential property market in Zhuhai for the years indicated:

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Population ('000)	1,511	1,542	1,562	1,568	1,583	1,590	1,614	1,634	1,675
Nominal GDP (RMB billion)	100	104	121	141	151	168	187	203	223
Real GDP growth rate (%)	9.2	6.6	12.9	11.3	7.0	10.5	10.4	10.0	8.5
Per capita GDP (RMB)	66,799	68,051	78,030	90,140	95,819	105,843	116,537	124,700	134,500
GFA completed ('000 sq.m.)	4,019	3,712	2,162	3,497	4,024	3,861	1,662	1,964	3,609
GFA under construction ('000 sq.m.)	11,739	11,440	12,111	16,545	17,757	18,538	20,560	22,454	26,439
GFA sold ('000 sq.m.)	1,756	2,897	2,828	2,240	2,512	3,422	3,361	4,177	6,532
ASP (RMB/sq.m.)	6,921	7,485	10,693	11,679	N/A	N/A	N/A	14,031	18,611

Source: Zhuhai Statistics Bureau

Note: N/A means data not available.

Suzhou

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

Suzhou had a population of approximately 10.6 million at the end of 2016. In 2016, its GDP reached approximately RMB1,548 billion.

The table below sets forth selected economic indicators relating to Suzhou for the years indicated:

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Population ('000)	9,127	9,370	10,466	10,518	10,549	10,576	10,604	10,616	10,647
Nominal GDP (RMB billion)	670	774	923	1,050	1,201	1,302	1,376	1,450	1,548
Real GDP growth rate (%)	12.5	11.5	13.3	12.0	10.1	9.6	8.3	7.6	7.5
Per capita GDP (RMB)	73,395	82,604	88,159	102,129	114,029	123,200	130,000	136,300	14,539
GFA completed ('000 sq.m.)	14,812	14,481	17,611	15,145	24,355	16,925	15,272	16,531	18,821
GFA under construction ('000 sq.m.)	70,369	69,230	80,379	79,436	84,039	95,959	109,090	112,859	121,241
GFA sold ('000 sq.m.)	10,074	21,825	15,140	12,109	14,663	18,751	15,992	21,337	24,941
ASP (RMB/sq.m.)	N/A	N/A	8,213	9,028	8,980	9,479	9,639	10,335	13,596

Source: Suzhou Statistics Bureau

Note: N/A means data not available.

Hong Kong

Until July 1, 1997, Hong Kong was a colony of the United Kingdom (“UK”). On July 1, 1997, the UK handed sovereignty over Hong Kong to the PRC, and Hong Kong became a Special Administrative Region of the PRC. Hong Kong is one of the world’s most significant financial centers, and consistently ranks as the world’s most competitive and freest economic entity. At the end of December 2016, Hong Kong had a population of approximately 7.4 million.

The table below sets forth certain economic statistics for Hong Kong and key statistics related to the residential property market in Hong Kong for the years indicated:

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Population ('000)	6,964	6,996	7,052	7,110	7,171	7,211	7,253	7,310	7,375
Nominal GDP (HKD billion)	1,675	1,632	1,776	1,934	2,037	2,138	2,258	2,397	2,491
Real GDP growth rate (%)	3.8	-2.6	7.1	8.9	5.3	5.0	5.6	6.2	3.9
Per capita GDP (HKD)	236,989	233,060	252,887	273,549	284,720	297,462	311,835	328,117	339,531
Public rental housing flats completed (units)	19,050	15,389	13,672	11,186	13,114	14,057	9,938	14,264	11,276
Private domestic units completed (units)	8,776	7,157	13,405	9,449	10,149	8,254	15,719	11,280	14,595
Private domestic units with consent to commence major revision work (units)	3,019	3,847	6,166	6,674	3,169	9,250	3,369	8,357	7,159
Value of registered sale and purchase of residential building units (HKD million)	343,827	425,840	560,686	442,527	452,275	298,942	433,418	416,520	428,041

Source: Census and Statistics Department, Hong Kong Special Administrative Region

Note: N/A means data not available.

GDHKMC BAY AREA

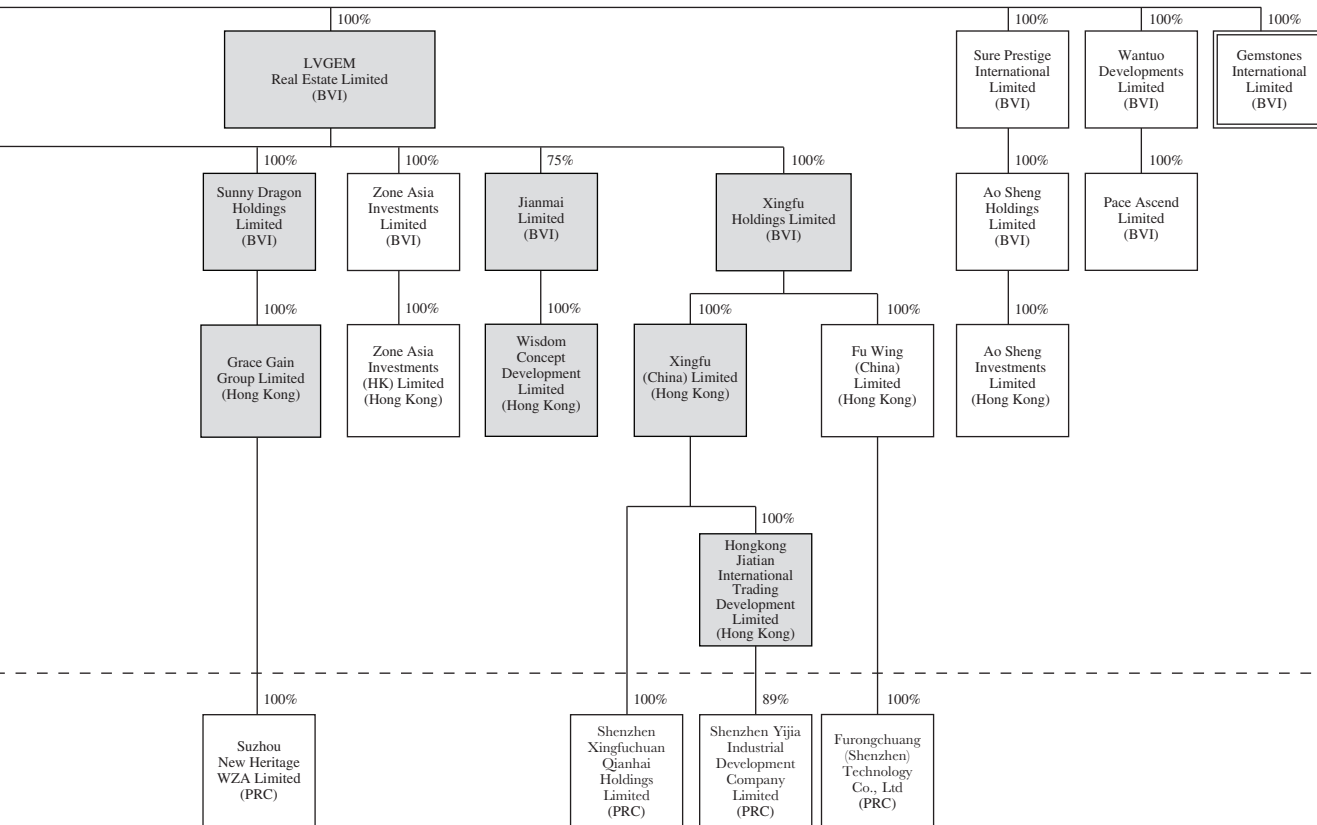
The GDHKMC Bay Area, coined by Premier Li Keqiang in the Report on the Work of the Government 2017, includes Hong Kong, Macau and nine cities in Guangdong province, namely Guangzhou, Shenzhen, Zhuhai, Dongguan, Huizhou, Zhongshan, Foshan, Zhaoqing and Jiangmen. While the GDHKMC Bay Area concept was recently proposed in March 2017, the idea of building city clusters is not new but an updated version of previous regional development initiatives such as the Pearl River Delta and the Pan-Pearl River Delta. The Chinese government aims to make the GDHKMC Bay Area a shipping, logistics, trade, exhibition, tourism and innovation center for mutual development among the Pearl River Delta, Hong Kong and Macau, and position the area as a pioneer for carrying out various reforms and a key economic center of China.

The GDHKMC Bay Area cities have a combined total GDP of RMB9,326 billion and per capita GDP of RMB137,349 in 2016. Among which, the Pearl River Delta cities (the Guangdong cities in the GDHKMC Bay Area) have a combined total GDP of RMB6,790 billion, accounting for 79.3% of Guangdong Province and 9.1% of the PRC in 2016.

	GDP	GDP	Per Capita	Population	Area	GFA
	CAGR	2008-2016	GDP 2016	2016	2016	Completed
	GDP 2016	2008-2016	GDP 2016	2016	2016	2016
	(RMB billion)		(RMB)	(million)	(sq.km.)	(sq.km.)
Hong Kong	2,226	5.1%	302,691	7.4	1,104	237
Guangzhou.	1,961	11.5%	134,066	14.0	7,434	12,022
Shenzhen.	1,949	12.1%	167,411	11.9	1,997	4,900
Foshan.	863	9.0%	115,642	7.5	3,875	5,667
Dongguan	683	8.0%	82,682	8.3	2,512	2,327
Huizhou.	341	12.9%	71,605	4.8	11,159	5,555
Zhongshan.	320	10.8%	99,471	3.2	1,770	2,341
Macau	310	9.6%	480,040	0.6	29	192
Jiangmen	242	8.3%	53,374	4.5	9,554	2,855
Zhuhai.	223	10.6%	134,500	1.7	1,696	3,609
Zhaoqing	208	14.2%	51,178	4.0	15,006	N/A

Sources: Guangdong Provincial Bureau of Statistics
Census and Statistics Department, Hong Kong Special Administrative Region
Macau Yearbook of Statistics

Note: N/A means data not available.



Key: Issuer
 Parent Guarantor
 Subsidiary Guarantors

BUSINESS

OVERVIEW

We are a leading, specialized property developer and commercial property operator based in Shenzhen, PRC. Our vision is “to be the most respected urban value creator” (“做最受尊敬的城市價值創造者”) by providing quality products and services and creating social, economic and cultural values for cities. From 2011 to 2017, we were recognized as one of the “Top 10 Shenzhen Real Estate Enterprises in terms of Comprehensive Strength” (“深圳房地產開發十強企業”) by Shenzhen Real Estate Association for seven consecutive years. In 2017, we were ranked the fourth among the thirteen “Trustworthy Enterprises in Shenzhen’s Real Estate Industry” by Shenzhen Real Estate Association.

We were known as New Heritage Holdings Ltd. (“New Heritage Holdings”), a company listed on The Stock Exchange of Hong Kong since December 2, 2005 (Hong Kong Stock Code: 00095) and mainly engaged in property development and property investment businesses in Suzhou. On January 21, 2014, a sales and purchase agreement was entered into between China LVGEM Property Holdings Limited (“China LVGEM”), a company ultimately wholly beneficially owned by Mr. Wong Hong King, and a shareholder of New Heritage Holdings, to acquire 64.8% of the then aggregate issued share capital of New Heritage Holding (the “2014 Acquisition”). The 2014 Acquisition was completed on May 8, 2014. Subsequent to the completion of the 2014 Acquisition, China LVGEM’s interest in the Company increased to 81.5% after the acquisition of additional shares of the Company as a result of the mandatory general offer and exercise of share options of the Company. China LVGEM’s interest in New Heritage Holdings subsequently reduced to 73.0% to restore the public float. In September 2014, our name was changed to “LVGEM (China) Real Estate Investment Company Limited” (“綠景(中國)地產投資有限公司”).

On June 2, 2015, we as purchaser entered into an agreement with Mr. Wong Hong King as vendor in respect of the sale and purchase of the entire issued share capital of Green View Holding Company Limited (“Green View”) at a consideration of HK\$13,785,000,000 (the “Green View Acquisition”). As of 2015, Green View had developed a diverse portfolio of 15 completed projects including urban boutique residences, the Zoll Centers, Shenzhen NEO Urban Commercial Complex and a hotel. Of the aggregate consideration of HK\$13,785,000,000 for the Green View Acquisition, (a) HK\$5,169,246,000 was settled by the allotment and issue of 2,509,342,511 our new shares at the issue price of HK\$2.06 per share, (b) HK\$7,031,754,000 was settled by the allotment and issue of 3,413,473,023 convertible preference shares at the issue price of HK\$2.06 per share, and (c) the balance of HK\$1,584,000,000 was settled by cash. The Green View Acquisition constituted a reverse takeover and we were treated as a new listing applicant under Rule 14.54 vetted under procedures and requirements set out in Chapter 9 of the Listing Rules. On November 30, 2015, the asset injection was completed. We conducted a placement of new shares at a placing price of HK\$2.20 per share in conjunction with the Green View Acquisition. Two cornerstone investors were introduced successfully, namely, a wholly-owned subsidiary of China Vanke Co., Ltd. (“萬科企業股份有限公司”) (Hong Kong Stock Code: 2202), a leading property developer in China, and a wholly-owned subsidiary of Shenzhen Pingan Dahua Huitong Wealth Management Co., Ltd. (“深圳平安大華匯通財富管理有限公司”), a member of Ping An Group of the PRC.

Adhering to the “dual core” strategic vision of “focusing on core cities and cities’ core areas,” we develop projects mainly in core cities and central areas to help achieve low risk, high value and high returns for our projects. Being one of the forerunners in urban redevelopment, we actively participated in urban redevelopment projects in Shenzhen, where we have accumulated extensive experience and established a unique land reserve acquisition model. We have established a solid market position in Shenzhen and have been strategically expanding into other property markets in the Pearl River Delta, in alignment with the GDHKMC Bay Area concept, which was put forward in the 5th session of the 12th

National People's Congress in March 2017. The GDHKMC Bay Area concept focuses on the creation of a financial and trading core area and the promotion of high-quality living through cultural development and green initiatives. The GDHKMC Bay Area is also one of the most economically prosperous and vibrant economic zones in China. Our geographical coverage also includes the Yangtze River Delta region, mainly in Suzhou.

Our business operations consist of three principal business segments:

- (i) Property development and sales;
- (ii) Commercial property investment and operations; and
- (iii) Comprehensive services.

Our mission is to “build quality products and enhance urban value” (“持續提升城市價值”). As of June 30, 2017, we had completed a diverse portfolio of 20 residential and commercial properties with an aggregate GFA of 2.9 million sq.m., most of which are located in prime, core areas of Shenzhen such as Futian, Longhua and Luohu. We currently have a robust project pipeline with a land reserve of GFA of approximately 4.1 million sq.m., including our first overseas project in Lau Fau Shan, Hong Kong. We adopt a dual-track land acquisition strategy in which we seek quality land reserves primarily through urban redevelopment and complemented by selective acquisitions and other means such as public processes. As one of the pioneers of urban redevelopment, we believe we can leverage our extensive experience and continue to acquire land in prime locations at a competitive cost, particularly in Shenzhen where urban redevelopment has become a primary source of land supply.

In line with our two-pronged residential and commercial business model, we own and operate for long-term investment purposes a substantial portion of the commercial properties we have developed. These commercial properties include the Shenzhen NEO Urban Commercial Complex, Zoll Centers and other retail spaces. Shenzhen NEO Urban Commercial Complex is composed of three buildings that consist of a Grade-A office building, retail space and business apartments. Zoll centers are community lifestyle and shopping centers which complement our existing residential property developments. We hold these commercial properties for capital appreciation and lease them to generate rental income. As of June 30, 2017, we had 15 investment property primarily in Shenzhen with a total GFA of approximately 403,261 sq.m. including one property under construction, Mangrove Bay No. 1 Zoll Center. We launched Hongwan Zoll Center in January 2017 and expect to launch International Garden Zoll Center in 2017 and Mangrove Bay No. 1 Zoll Center in 2018. Additionally, we expect to launch Suzhou Zoll Center with 12,100 sq.m. GFA in 2019.

We also provide comprehensive services, including property management services and hotel operations. We provide high quality property management services to the residents and tenants of 19 properties with an aggregate GFA of approximately 2.29 million sq.m. We manage a majority of the properties developed by us, including Shenzhen NEO Urban Commercial Complex and Zoll Centers. In 2016, our LVGEM Hotel, located in central business district of Futian in Shenzhen, was awarded “The Most Popular Hotel” (“最受歡迎酒店獎”) by the Shenzhen Tourism Association. In 2017, we acquired Vanlee Hotel in Covina, Los Angeles, USA.

In 2014, 2015, 2016 and the six months ended June 30, 2017, our revenue was RMB5,245.3 million, RMB1,210.3 million, RMB4,590.2 million (US\$677.1 million) and RMB595.1 million (US\$87.8 million), respectively, and our profit for the period was RMB1,748.6 million, RMB424.6 million, RMB808.7 million (US\$119.3 million) and RMB46.8 million (US\$6.9 million), respectively.

RECENT DEVELOPMENT

Major Acquisition

On October 11, 2017, Pace Ascend Limited, an indirect wholly-owned subsidiary of ours, Greater Honour Limited, The Wharf (Holdings) Limited and we have entered into a sale and purchase agreement, pursuant to which Greater Honour Limited has agreed to (i) sell and Pace Ascend Limited has conditionally agreed to purchase 100% issued shares of New Grade Investments Limited and all amounts owed by New Grade Investments Limited to Greater Honour Limited and (ii) engage City Project Management Limited, another indirect wholly-owned subsidiary of The Wharf (Holdings) Limited, to complete the development of the property indirectly owned by New Grade Investments Limited for a total consideration of HKD9.0 billion in cash (subject to price adjustments). The consideration will be funded by the internal resources of the Group as well as bank and/or other financing. The consideration will be paid by installments, and the first installment of HK\$788.0 million has been fully paid upon the execution of the sale and purchase agreement.

Pursuant to Rule 14.44 of the Listing Rules, in lieu of holding a general meeting, we have obtained shareholders' written approval from the closely allied group of shareholders comprising China LVGEM, True Vantage and Kinson, together holding an aggregate of 75% of the issued share capital of our Company. As such, we are not required to convene an extraordinary general meeting for the approval of such transaction.

New Grade Investments Limited is an investment holding company. Its principal assets comprises all the issued shares of Olinda Limited, whose principal asset is a property currently under development and is intended to be a single office tower located at 123 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong. The permitted GFA of this development is approximately 55,390 sq.m. The closing of the transaction is expected to take place at the end of 2017 and the development is expected to be completed on or before November 15, 2019.

As a result of the above announcement, Moody's Investors Service announced on October 16, 2017 that it had changed the outlook on both the Notes and our corporate family rating from stable to negative, citing liquidity and leverage concerns, and Fitch Ratings announced on October 17, 2017 that it had placed both the Notes and our long-term foreign currency issuer default rating on rating watch negative, citing leverage concerns. For more information, see "Risk Factors — The ratings assigned to the Notes and our corporate ratings maybe lowered or withdrawn in the future."

OUR COMPETITIVE STRENGTHS

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

Leading Shenzhen developer with dual-core strategy in the Pearl River Delta region, in alignment with the GDHKMC Bay Area concept

We have established ourselves as a leading property developer in Shenzhen, where we have been recognized by Shenzhen Real Estate Association as one of the "Top 10 Shenzhen Real Estate Enterprises in terms of Comprehensive Strength" for the past seven consecutive years, from 2011 to 2017 and selected as one of the "Top 10 Creditworthy Real Estate Companies in Shenzhen" by the big four banks in China for eight consecutive years. In 2017, we were ranked the fourth among the thirteen "Trustworthy Enterprises in Shenzhen's Real Estate Industry" by Shenzhen Real Estate Association.

We focus our property development and operations in Shenzhen, as well as the broader Pearl River Delta region, in alignment with the GDHKMC Bay Area concept. The GDHKMC Bay Area includes Shenzhen, Hong Kong, Zhuhai and Dongguan, which are some of the China's most economically prosperous and vibrant regions and areas. The GDHKMC Bay Area concept, which was put forward in the 5th session of the 12th National People's Congress in March 2017, focuses on the creation of a financial and trading core area and the promotion of high-quality living through cultural development and green initiatives.

Shenzhen has the highest population density and proportion of young people among first-tier cities in China, which leads to strong housing demand and where limited and decreasing land supply in Shenzhen has led to the increasing average price of land, according to the National Bureau of Statistics of China and Centaline Research Center (Shenzhen). See "Industry Overview — The Real Estate Markets of Select Areas in the PRC — Shenzhen."

We leverage a dual-core strategy of focusing on core cities and their core areas. Most of our projects in Shenzhen are located in prime locations, which are well-established and/or growing districts that are densely populated and situated near financial centers, key public transportation routes or prime school districts, such as Futian district and Longhua new district adjacent to Futian. Since our inception, we have completed 13 property development projects in Shenzhen, with a total site area of approximately 351,976 sq.m. and an aggregate GFA of approximately 2,052,124 sq.m. We also held 13 investment properties located in Shenzhen with an aggregate GFA of approximately 381,087 sq.m. Our completed residential and commercial properties include, among others, LVGEM Hongwan Garden, Shenzhen NEO Urban Commercial Complex, Lanwan Peninsula Community, Zhongcheng Tianyi Garden and LVGEM Chanson Meilu Garden. By strategically focusing on these prime geographical locations, we believe that we have been able to optimize the value and marketability of our projects, proven by the strong sales track records of our properties and high occupancy rates of our investment properties.

We have further established a strong market position in our other targeted regions by leveraging our experience from our home base in Shenzhen. These other targeted areas include Zhuhai and Dongguan, which are also fast growing and important business hubs in the Pearl River Delta region and part of the national policy of the GDHKMC Bay Area concept. See "Industry Overview — GDHKMC Bay Area." We have gained extensive knowledge about the Zhuhai real estate market through the successful development of Phoenix Hill No. 1, where the project company was disposed of from Green View prior to the reverse takeover since the underlying project has been substantially sold out. Dongguan, which is close to Shenzhen, organically benefits from the high demand of property in Shenzhen as Shenzhen's residents expand into neighboring cities in reaction to the shortage of housing supply in Shenzhen. By expanding into Hong Kong with our Lau Fau Shan project and the potential acquisition of a non-residential property project (see "– Recent Development"), we have also further developed our international platform and entered a relatively low risk market and key business hub, which is also part of the GDHKMC Bay Area. Additionally, Suzhou is also a key city in close proximity to Shanghai with strong real estate demand. See "Industry Overview — The Real Estate Markets of Select Areas in the PRC — Suzhou." We have completed three projects in Suzhou with a total site area of approximately 327,993 sq.m. and has aggregate GFA of approximately 383,111 sq.m. Our long track record in these regions enabled us to capture the housing demand in these cities.

Forerunner in urban redevelopment with the advantage to acquire land in prime areas at relatively low cost

We are a forerunner in urban redevelopment. Ten out of our 13 completed projects in Shenzhen involved urban redevelopment and all our ongoing projects in Shenzhen are also urban redevelopment projects. Through urban redevelopment, we have been able to systematically acquire land in prime areas

at a relatively low cost to support our development and expansion strategies. In 2014, 2015, 2016 and the six months ended June 30, 2017, land costs (consisting of land premium and, for urban redevelopment projects, also compensation of demolition and construction cost of relocation housing), accounted for 18%, 21%, 21% and 16%, respectively, of costs of sales for property development and sales. As land supply has become limited in Shenzhen, urban redevelopment has become Shenzhen's primary source of land supply. In 2016, land released from urban redevelopment accounted for 56.9% of the new supply of land in Shenzhen, according to Centaline Research Center Shenzhen. As a result of our reputation and extensive experience in urban redevelopment in Shenzhen, we are invited from time to time by villager-representatives to carry out their redevelopment plans.

Our completed and under development projects highlight our strong resource integration capabilities and ability to enhance urban value through urban redevelopment. We have approximately 20 years of experience and completed our first urban redevelopment project in 2000. For example, Lanwan Peninsula Community project featured a "sky garden" in Shenzhen to maximize green landscape, LVGEM Hotel and Zhongcheng Tianyi Garden retained the historical heritage of the original villagers in the development and design process. Shenzhen NEO Urban Commercial Complex is a Top 10 landmark office building in Shenzhen, attracting a number of tenants from Fortune 500 companies and financial institutions, such as China Mobile, Guotai Junan Securities, SPD Bank, Industrial and Commercial Bank of China, Agricultural Bank of China, Fuji Xerox, China Minsheng Bank, China Everbright Bank and China Construction Bank.

Cooperation with controlling shareholder allowing for flexible land reserve expansion

We believe our ability to acquire land at low cost is also attributable to our operating flexibility and experience. We collaborate with our controlling shareholder, Mr. Wong Hong King, as a major means to acquire land reserves. Our controlling shareholder controls certain projects with an aggregate GFA of approximately 12 million sq.m. situated in core cities with significant development potential such as Shenzhen (GFA of approximately 4.4 million sq.m.), Zhuhai (GFA of approximately 2.1 million sq.m.) and Dongguan (GFA of approximately 5.5 million sq.m.) and our controlling shareholder is conducting preliminary work for these projects through resource integration. Mr. Wong Hong King started his career in the construction business and has over 30 years of experience in real estate development. Mr. Wong Hong King has entered into a deed of non-competition with our Company and will not engage in a competing business such as property development or hotel operations. Mr. Wong Hong King and LVGEM Entity have also provided a non-legally binding indication of interest to our Company, under which they indicated their willingness to support our long-term property development strategies by transferring to us such land reserves of approximately 12 million sq.m. located in Shenzhen, Zhuhai and Dongguan at appropriate times, subject to, among other things, finalization of consideration, payment terms and compliance with the Listing Rules. See "Risk Factors — We intend to acquire a substantive portion of our land for development through our controlling shareholder." We are also flexible in securing quality land reserves via various channels such as through acquisitions and public processes. We conduct research and analysis and try to identify the future growth potential of a land site for our property development before our competitors so as to avoid price competition. As a result, we do not need to commit significant capital to build a large land reserve, which enables us to operate with low financial pressure and support our cash flow. Additionally, we are able to minimize risks and timing uncertainty associated with urban redevelopment projects, focus on developing high quality urban redevelopment projects and avoid the costly competitive bidding process. We believe that our strength in urban redevelopment and land reserves acquisition strategy allow us to use our working capital more efficiently, maintain a healthy profit margin and respond more effectively to changing market conditions.

Strong and established two-pronged business model with steady recurring cash flow and value gains from commercial properties

Our two-pronged residential and commercial business model provides us with a solid and stable recurring income, which comprises income from commercial property investment and operations and comprehensive services. We have strong property development capabilities to develop a wide range of properties, focusing on the core areas of Shenzhen, the Pearl River Delta region and the GDHKMC Bay Area. We also focus our investment portfolio on urban complexes and boutique upscale residences to meet the demand of our target customers. The revenue from our property development and sales segment provide the requisite operating cash flows for investment and operation of our commercial properties, while our commercial property investment and operations segment provide stable recurring income, enabling us to withstand fluctuations in the residential property market. Our income from commercial property and operations investment has steadily increased over the years due to high occupancy rates of close to 100% for our Shenzhen NEO Urban Commercial Complex and close to 97% for our Chanson Zoll Center and 1866 Zoll Center as of June 30, 2017, respectively. The revenue from commercial property investment and operations and comprehensive services amounted to 95%, 105%, 102% and 93% of our finance costs including capitalized interest in 2014, 2015, 2016 and the six months ended June 30, 2017, respectively.

In addition, our investment property projects located in prime areas in Shenzhen enable us to benefit from rising property values in Shenzhen. The fair value of our key investment properties, Shenzhen NEO Urban Commercial Complex, 1866 Zoll Center and Chanson Zoll Center, have risen by 3.5 times to 5.2 times compared to the original cost and our existing investment properties have continued to achieve stable rental income with strong cost yields. For example, in the six months ended June 30, 2017, our Shenzhen NEO Urban Commercial Complex achieved a cost yield, which is calculated as rental income for the period, annualized then divided by original cost, of approximately 25% and our Chanson Zoll Center and 1866 Zoll Center achieved cost yields of approximately 15%.

We believe that our two-pronged business model helps us realize significant synergies. We have two brands under our commercial property series, “Neo” and “Zoll.” We believe our capabilities to develop and operate quality projects provide us with significant leverage for our future business growth.

Shenzhen NEO Urban Commercial Complex is an urban business complex located in the western region of the central Futian District of Shenzhen. A number of offices and branches of Fortune Global 500 companies are tenants of our Shenzhen NEO Urban Commercial Complex. It has been named one of Shenzhen’s top 10 landmark buildings, which significantly enhances the value of our brand.

We have developed a community lifestyle and shopping center model under the “Zoll” brand which integrates residential properties with supporting commercial facilities to meet the shopping, entertainment, social, health and education-related needs of the community residents and residents from neighboring communities. Tenants include well-known brands such as Uniqlo, China Resources Vanguard, Dadi Cinema, Starbucks, Burger King, Decathlon, Pizza Hut, McDonalds and Watsons. The Zoll Centers we have developed and the surrounding communities have improved the market positioning and the overall value of our properties, and have also improved the quality of life of urban community residents, thereby increasing customer loyalty.

Experienced management team with proven track record of effective execution yielding strong profitability

The significant growth of our business since our inception is in large part due to our management team, which has extensive experience in property development and operations. We have consistently achieved high levels of gross margins above 45% over the past three years, and exceeded 50% for the years ended December 31, 2015 and 2016. For the six months ended June 30, 2017, our gross margin was approximately 57.8%. Building upon our strong track record and execution capabilities, we have established ourselves as a forerunner in urban redevelopment and have continued to build up a diverse portfolio of residential and commercial properties with high sales and occupancy rates. We believe that we have benefitted, and will continue to benefit, from our management's extensive experience and knowledge of the property market in the PRC, and in particular in the key regions in which we operate and plan to expand.

Well-balanced capital and financial management

Our senior management places a strong emphasis on the financial and capital management of our Company. We maintain disciplined financial management guided by various financials targets and have formulated a prudent set of capital and financial management policies to service the best interest of all our stakeholders.

We have adopted diversified funding channels, fully utilizing options from onshore loans, onshore bonds and offshore debt markets, as well as equity capital markets, including convertible bond issuances. See "Description of Material Indebtedness and other Obligations." We have established strong, long-term relationships with banks including Bank of Communications, China CITIC Bank, China Everbright Bank, Bank of Shanghai and Ping An Bank.

OUR STRATEGIES

Continue to expand in core areas of fast-growing core cities in the GDHKMC Bay Area

We intend to maintain our leading position in the Shenzhen property market and continue to focus on core areas of the Pearl River Delta region, in alignment with the national policy of the GDHKMC Bay Area. As this region has one of the highest GDP per capita in China, we believe that the demand and price of property in this region will continue to increase, which will improve the overall selling rate and support property rental income of our properties. We expect that the completion of the Hong Kong-Zhuhai-Macau bridge and the cross-border rail link will further improve connections between cities in the GDHKMC Bay Area and stimulate further growth in these areas, providing attractive opportunities for property development and investment. We will also leverage our experience and expertise in Suzhou to enhance our presence in the Yangtze River Delta region. Additionally, we plan to continue expanding our overseas presence, which has been led by our property development project Lau Fau Shan and the potential acquisition of a non-residential property project (see "– Recent Development") in Hong Kong. We will continue to consider other suitable projects in the future in line with our strategies.

Continue to expand our land reserves by adopting a dual-track land acquisition strategy

We plan to continue to expand our land reserves in strategic locations by adopting a dual-track land acquisition strategy, where we seek quality land reserves primarily through urban redevelopment opportunities and complemented by selective acquisitions and other means such as public processes. We

intend to continue leveraging our extensive experience of approximately 20 years in urban redevelopment to develop projects with high gross profit margin and high return on investment, with land sufficiently sourced from our controlling shareholder through strategic collaboration. For example, three urban redevelopment projects located in Shenzhen, Dongguan and Zhuhai respectively, owned by our controlling shareholder, are expected to be injected into our land reserves. We believe that our land reserves acquisition strategy will enhance our ability to acquire land more efficiently and at a reasonable cost.

Focus on further optimizing our project portfolio

We plan to adhere to our two-pronged model of developing residential and commercial property by selecting and taking on projects that add urban value to the community. Our residential property development business has been our primary source of income, and we will continue to diversify our project portfolio by selectively developing and holding quality commercial properties in core areas, which allows us to benefit from stable recurring rental income and expected capital appreciation. We will also focus on enhancing our commercial property investment and operations segment, and the comprehensive services segment.

Improve our product positioning

We intend to continue focusing on developing projects to cater to the evolving needs of our various target customers, including first time property buyers and buyers looking to upgrade. We seek to improve our product positioning of both our residential and commercial properties by conducting market research and seeking professional advice on product positioning, which will guide the design and development of each project. We will continue to work closely with leading domestic and international architecture and design firms in creating unique projects that reflect the spirit and essence of our vision and assimilate the latest trends and elements.

Enhance brand reputation

We place significant emphasis on developing our brand image and will continue to introduce quality projects and service offerings that will enhance our profile, reputation and image. We will continue to complement our residential property development projects with selective investment properties for our portfolio to reinforce the association between our brand name and quality projects. We will continue our sales and marketing efforts to promote the brand of LVGEM. We also recognize that customer loyalty is critical to our success and intend to continue to provide professional customer services, particularly through our comprehensive service segment, to enhance the long-term value of our property development projects.

We also plan to reach out to a wider investor base and develop our reputation overseas through active participation in the capital markets.

CORPORATE HISTORY AND STRUCTURE

Key Corporate Milestones

Establishment: 1992-1998

In 1992, New Heritage Holdings, as we were previously known, was founded, prior to the acquisition by Mr. Wong Hong King, our controlling shareholder.

In 1995, Green View, wholly owned by Mr. Wong Hong King, his major operating entity for real estate development, was established.

In 1998, Green View commenced the development of LVGEM Garden Estate, its first property development project.

Forerunner in urban redevelopment: 1998-2009

In 2005, New Heritage Holdings was listed on The Stock Exchange of Hong Kong (stock code: 00095) and was engaged primarily in real estate development and investment in Suzhou.

During the period Green View completed several premium real estate projects through urban redevelopment in Shenzhen such as Lanwan Peninsula Community in 2004, LVGEM Garden Phase II in 2005 and Zhongcheng Tianyi Garden in 2008.

In 2007, Green View entered into the Zhuhai market commencing development of Phoenix Hill No. 1, which the project company was disposed from Green View prior to the reverse takeover since the underlying project has been substantially sold out.

Expanded into commercial sector and successfully developed “Zoll” and “NEO” brands: 2009-2014

In 2010, Green View developed City Garden, a high quality real estate development project.

In 2011, Green View launched our Shenzhen NEO Urban Commercial Complex and developed LVGEM Chanson Garden and the LVGEM Hotel.

In 2011, Green View was ranked for the first time among the “Top 10 Shenzhen Real Estate Development Enterprises in terms of Comprehensive Strength” by the Shenzhen Branch of China Real Estate Association.

In 2013, Green View developed LVGEM Chanson Meilu Garden and LVGEM 1866 Garden.

In 2013, Green View also opened Chanson Zoll Center, a shopping center under our “Zoll” brand.

In 2014, Green View opened 1866 Zoll Center, a shopping center under our “Zoll” brand.

Successful listing and capital markets operations: Since 2014

In June 2014, Mr. Wong Hong King acquired an 81.5% stake in New Heritage Holdings with cash consideration of HKD1.21 billion.

From July 2014 to August 2014, Mr. Wong Hong King disposed shares to a 73% stake to restore New Heritage Holdings’ public float to above 25%.

In September 2014, New Heritage Holdings was renamed as LVGEM (China) Real Estate Investment Company Limited.

In June 2015, Mr. Wong Hong King announced the asset injection of shares of Green View into our company at a total consideration of HKD13,785 million. The consideration was settled by a mix of issuance of ordinary shares, convertible preferred shares and cash balance partly raised from placement of new shares.

In November 2015, the asset injection was completed. This transaction was deemed as a reverse takeover and treated as a new listing application under the Listing Rules.

We have continued to develop projects in core areas of Shenzhen such as LVGEM Hongwan Garden, which was completed in November 2015 and LVGEM Mangrove Bay No. 1, which is expected to be completed in 2017.

We have expanded in certain overseas markets by seeking suitable opportunities, such as Lau Fau Shan project in Hong Kong, which is expected to be completed in 2021, and our acquisition of the Vanlee Hotel in the United States in 2017.

OVERVIEW OF OUR PROPERTY DEVELOPMENT PROJECTS

Since the commencement of our operations, we have developed a diverse portfolio of 20 completed projects with an aggregate site area of approximately 945,173 sq.m. and an aggregate GFA of approximately 2,937,329 sq.m. Our property portfolio consists of urban boutique residences, Zoll Centers, Shenzhen NEO Urban Commercial Complexes and hotels.

- ***Urban boutique residences:*** Our urban boutique residences are located in urban areas which are commercially prosperous, with scenic surroundings and convenient access to transportation facilities. Some of these urban boutique residence projects also include accompanying retail spaces.
- ***NEO Urban Commercial Complexes:*** We developed and operate the Shenzhen NEO Urban Commercial Complex in the central business district of Futian, Shenzhen, and are currently developing the Suzhou NEO Urban Commercial Complex in Wuzhong district, Suzhou.
- ***Zoll Centers:*** We develop community-based lifestyle and shopping centers under the “Zoll” (佐岭) brand. The Zoll Centers are primarily located in mature communities in downtown areas of core cities, and typically neighbor our urban boutique residences.
- ***Hotels:*** We developed and operate the LVGEM Hotel, a business hotel conveniently located in the central business district in Shenzhen. We also acquired and operate the Vanlee Hotel in the United States.

The following table sets forth certain information of our completed projects as of June 30, 2017.

Completed Projects	Location	Site area (sq.m.)	Total GFA (sq.m.)	Method of acquisition	Construction commencement	Construction completion
Projects completed by Green View						
LVGEM Garden Estate (綠景山莊)	Luohu, Shenzhen	42,813	72,580	M&A	April 1998	April 2000
LVGEM New Garden Phase I (綠景新苑一期)	Futian, Shenzhen	8,858	40,613	Urban redevelopment	September 2000	January 2002
LVGEM New Garden Phase II (綠景新苑二期)	Futian, Shenzhen	6,760	27,945	Urban redevelopment	May 2003	February 2004
Lanwan Peninsula Community (藍灣半島社區)	Futian, Shenzhen	39,304	232,086	Urban redevelopment	May 2002	August 2004
LVGEM Garden Phase II (綠景花園二期)	Futian, Shenzhen	20,677	164,932	Urban redevelopment	November 2003	June 2005
Zhongcheng Tianyi Garden (中城天邑花園)	Futian, Shenzhen	19,682	142,368	Urban redevelopment	March 2006	December 2008
LVGEM Hotel (綠景錦江酒店)	Futian, Shenzhen	4,978	25,751	Urban redevelopment	March 2006	December 2008
Zhonghe Tixiang Famous Garden Phase I (中核緹香名苑一期)	Yiyang, Hunan	70,180	131,317	M&A	August 2007	April 2009
City Garden (城市立方花園)	Longgang, Shenzhen	47,372	135,012	M&A	March 2008	November 2010
Phoenix Hill No. 1 (鳳凰山一號) ⁽¹⁾	Zuhai, Guangdong	91,197	120,482	M&A	2007-2008	2008-2011
Shenzhen NEO Urban Commercial Complex (深圳NEO都市商務綜合體)	Futian, Shenzhen	19,295	252,539	M&A, urban redevelopment	(Phase I-II) January 2004	(Phase I-II) May 2011
LVGEM Chanson Garden (綠景香頌花園)	Longhua, Shenzhen	26,117	174,366	Urban redevelopment	February 2011	December 2012
LVGEM Chanson Meilu Garden (綠景香頌美廬園)	Longhua, Shenzhen	5,540	28,845	Urban redevelopment	May 2011	May 2013
LVGEM 1866 Garden (公館1866花園)	Longhua, Shenzhen	77,795	387,482	M&A	June 2011	August 2013
LVGEM International Garden (Zone A1) (綠景國際花城(A1區))	Huazhou, Maoming	48,795	38,456	Auction	July 2013	December 2014
Sub-total		529,363	1,974,774			
Projects completed by New Heritage Holdings						
Suzhou Garden Villa (錦華苑)	Suzhou, Jiangsu	110,312	141,849	M&A	1992-2004 (Phase I-IV)	1995-2004 (Phase I-IV)
Taihu Garden Court (錦澤苑)	Suzhou, Jiangsu	131,445	88,889	M&A	2007-2012 (Phase I-III)	2009-2013 (Phase I-III)
Lakeside Garden Court (錦盛苑)	Suzhou, Jiangsu	86,236	152,373	M&A	2008-2012 (Phase I-IV)	2010-2014 (Phase I-IV)
Sub-total		327,993	383,111			
Projects completed by LVGEM						
LVGEM Hongwan Garden (綠景虹灣花園)	Futian, Shenzhen	32,785	367,605	Urban redevelopment	December 2012	November 2015
LVGEM International Garden (Zone A2) (綠景國際花城(A2區))	Huazhou, Maoming	55,032	211,839	Auction	March 2014	December 2015
Sub-total		87,817	579,444			
Total		<u>945,173</u>	<u>2,937,329</u>			

Note:

(1) The project company was disposed from Green View prior to the reverse takeover since the underlying project has been substantially sold out.

OVERVIEW OF OUR PROPERTY PROJECTS

The properties of our development projects are classified into four categories based on their respective development stages:

- ***Completed projects:*** we categorize projects or project phases as completed upon receipt of the requisite land use rights certificates and certificates of completion from relevant government authorities;
- ***Projects under development:*** we categorize projects or project phases as under development when we have received the requisite land use rights certificates and construction commencement permits but have not yet received the requisite certificates of completion;
- ***Projects held for future development:*** we categorize projects or project phases as held for future development when we have obtained the relevant land use rights certificates or land grant contracts but have not yet obtained the requisite construction commencement permits; and
- ***Projects planned to be redeveloped or contracted to be acquired for future development:*** we categorize projects or project phases as to be acquired for future development when we have entered into preliminary framework agreements, master agreements or letters of intent with villagers-representative companies of urban villages or other relevant parties but have not yet obtained the relevant land grant contracts or land use rights certificates.

As of June 30, 2017, we held a land reserve of approximately 4.1 million sq.m. of GFA.

The following table sets forth a breakdown of the GFA of our land reserve as of June 30, 2017.

Project name	Location	Ownership	Actual/ Expected construction commencement	Actual/ Expected pre-sale commencement	Actual/ Expected construction completion	Method of acquisition	Total site area (sq.m.)	Total GFA (sq.m.)	Total GFA attributable ¹ (sq.m.)	Approximate/ Estimated GFA		
										Total saleable GFA unsold (sq.m.)	Total GFA held for investment (sq.m.)	Land Reserve ² (sq.m.)
Completed project held for sale												
LVGEM Hongwan Garden (綠景紅樹灣花園)	Futian, Shenzhen	100%	2012	2017 ³	2015	Urban redevelopment	32,785	367,605	292,412	36,938	51,232	215,093
Sub-total							32,785	367,605	292,412			215,093
Project under development												
LVGEM Mangrove Bay No. 1 Phase I (綠景紅樹灣一號一期)	Futian, Shenzhen	100%	2014	2017	2017	Urban redevelopment	24,424	305,450	231,450	118,687	29,945	231,450
LVGEM International Garden (Zone B) (綠景國際花園(B區))	Huazhou, Maoming	100%	2016	2017	2019	Auction	117,246	555,969	555,969	440,086	23,841	555,969
Suzhou NEO Urban Commercial Complex (蘇州NEO都市商務綜合體)	Wuzhong, Suzhou	100%	2015	2017	2018	M&A	14,592	81,539	81,539	41,900	12,100	81,539
Meijing Project (美景項目)	Nanshan, Shenzhen	100%	2016	2018	2019	Urban redevelopment	10,862	97,214	76,808	47,514	0	76,808
Sub-total							167,124	1,040,172	945,766			945,766
Project held for future development												
LVGEM International Garden (綠景國際花園)	Huazhou, Maoming	100%	Post 2021	Post 2021	Post 2021	Auction	611,860	1,693,182	1,693,182	N/A ⁴	N/A ⁴	1,693,182
Lau Fau Shan Project (流浮山項目)	Lau Fau Shan, Hong Kong	75%	2018	2021	2021	M&A	82,400	23,880	23,880	23,880	0	23,880
Sub-total							694,260	1,717,062	1,717,062			1,717,062
Projects planned to be redeveloped or contracted to be acquired for further development												
LVGEM Mangrove Bay No. 1 Phase II (綠景紅樹灣一號二期)	Futian, Shenzhen	100%	2017	2018	2019	Urban redevelopment	17,589	158,777	79,400	19,200	0	79,400
Liguang Project (綠光項目)	Bao'an Shenzhen	100%	2018 2018	2019 2019	2020 2020	Urban redevelopment	42,666 100,000	156,300 250,000	112,300 220,000	106,600 220,000	5,700 0	112,300 220,000
Zhuhai Dongda Kaiwei Science Park (珠海東大凱威科技園)	Xiangzhou, Zhuhai	100%	Post 2021 2018	Post 2021 2020	Post 2021 2021	M&A	128,536 79,525	542,900 467,301	380,000 450,010	N/A 325,500	N/A 105,510	380,000 450,010
Meilin Project (梅林項目)	Futian, Shenzhen	100%	2018	2020	2021	Urban redevelopment	5,000	48,000	28,800	28,800	0	28,800
Sub-total							373,316	1,623,278	1,270,510			1,270,510
Total							1,267,485	4,748,117	4,225,750			4,148,431

Notes:

1. Refers to total GFA deducting GFA used for resettlement compensation and transferred to the government pursuant to relevant land grant contracts.
2. Refers to total GFA attributable excluding total saleable GFA sold.
3. First lot pre-sold in 2014 and the remaining lot has launched in 2017.
4. To be determined.

The classification of properties in this offering memorandum may be different from the classification of properties in the consolidated financial statements included in this offering memorandum.

The table below sets forth our classification of properties and the corresponding classification of properties in our consolidated financial statements and the notes thereto contained in this offering memorandum:

<u>Types of Properties</u>	<u>Offering memorandum</u>	<u>Accountant's Report</u>
<p>Completed projects</p> <p>Projects or project phases for which the requisite certificates of completion have been obtained</p>	<ul style="list-style-type: none"> • Completed projects 	<ul style="list-style-type: none"> • Completed properties for sale
<p>Projects under development</p> <p>Projects or project phases for which the requisite land use rights certificates and construction commencement permits have been obtained but the requisite certificates of completion have not yet been obtained</p>	<ul style="list-style-type: none"> • Projects under development 	<ul style="list-style-type: none"> • Inventories – Properties under development for sale (for the portion planned to be sold) • Investment properties (for the portion held for long-term purpose)
<p>Projects held for future development</p> <p>Projects or project phases for which the relevant land use rights certificates or land grant contracts have been obtained but the requisite construction commencement permits have not yet been obtained</p>	<ul style="list-style-type: none"> • Projects held for future development 	<ul style="list-style-type: none"> • Inventories – Properties under development for sale
<p>Projects planned to be redeveloped or contracted to be acquired for future development</p> <p>Projects or project phases for which preliminary framework agreements, master agreements or letters of intent have been entered into but the relevant land grant contracts or land use rights certificates have not yet been obtained</p>	<ul style="list-style-type: none"> • Projects planned to be redeveloped or contracted to be acquired future development 	<ul style="list-style-type: none"> • Inventories – Properties under development for sale

PROPERTY DEVELOPMENT AND SALES

As of June 30, 2017, we have developed 20 residential property projects in line with our business strategy of “Focusing on Major Cities and their Core Area”. We position our residential properties as urban boutique residences, located mainly in developed urban areas which are well populated, adjacent to the CBD and close to public transportation as well as within the range of prestigious educational institutions. Our completed projects have an aggregate site area of approximately 945,173 sq.m. and an aggregate GFA of approximately 2,937,329 sq.m. As of June 30, 2017, we have four projects under development, two projects held for future development and four projects to be redeveloped or contracted to be acquired for future development. The projects under development have an aggregate site area of approximately 167,124 sq.m. and an aggregate GFA of approximately 1,040,172 sq.m., the projects with land held for future development have an aggregate site area of approximately 694,260 sq.m., the projects with land planned to be redeveloped or contracted to be acquired have an aggregate site area of approximately 373,316 sq.m.

Completed projects

LVGEM Garden Estate (綠景山莊)

LVGEM Garden Estate is a residential and commercial project located at Jindaotian Road, Luohu District, Shenzhen. It occupies a total site area of 42,813 sq.m. with a total GFA of 72,580 sq.m. Approximately GFA 3,820 sq.m. is provided for commercial shop rental space. The project was completed in 2000.

LVGEM New Garden (綠景新苑)

LVGEM New Garden is a residential and commercial project located east of the interchange of Xinzhou 2nd Road and Xinzhou 9th Road, Futian District, Shenzhen. It occupies a total site area of 15,618 sq.m. with a total GFA of 68,558 sq.m. Approximately GFA 4,864 sq.m. is provided for commercial shop rental space. The project was completed in 2004.

Lanwan Peninsula Community (綠景藍灣半島社區)

LVGEM Peninsula Community is a residential and commercial project located at Furong Road, Futian District, Shenzhen. It occupies a total site area of 39,304 sq.m. with a total GFA of 232,086 sq.m. and consists of seven residential buildings and accompanying retail spaces. The project was completed in 2004.

LVGEM Garden Phase II (綠景花園二期)

LVGEM Garden Phase II is a residential and commercial project located at No.3018, Fuqiang Road, Futian District, Shenzhen. The project occupies a total site area of 20,677 sq.m. with a total GFA of 164,932 sq.m. Approximately GFA 21,000 sq.m. is provided for commercial shop rental space. The project was completed in 2005.

Zhongcheng Tianyi Garden (中城天邑花園)

Zhongcheng Tianyi Garden is a residential project located at Sixth Street, Xinzhou Road, Futian District, Shenzhen. The project occupies a total site area of 19,682 sq.m. and consists of three residential buildings. The project has an aggregate GFA of 142,368 sq.m. The project was completed in 2008.

Zhonghe Tixiang Famous Garden Phase I (中核緹香名苑一期)

Zhonghe Tixiang Famous Garden Phase I is a residential project located at 7 Haitang Road, Gaoxin District, Yiyang. The project occupies a total site area of 70,180 sq.m. and consists of 13 residential buildings. The project has an aggregate GFA of 131,317 sq.m. The project was completed in 2009.

City Garden (城市立方花園)

City Garden is a residential and commercial project located at Block 37, Longcheng, Longgang District, Shenzhen. The project occupies a total site area of 47,372 sq.m. with a total GFA of 135,012 sq.m. and consists of nine residential buildings and accompanying retail spaces. Approximately GFA 4,866 sq.m. is provided for commercial shop rental space. The project was completed in 2010.

LVGEM Chanson Garden (綠景香頌花園)

LVGEM Chanson Garden is a residential project located at the interchange of Bulong Road and Minzhi Road in the central area of Longhua district, Shenzhen. The project occupies a total site area of 26,117 sq.m. with a GFA of 174,366 sq.m. It is also surrounded by a “hub and circle” transit system, which provides convenient transportation links and benefits from its proximity to prestigious education institutions in the area. The project was completed in 2012.

LVGEM Chanson Meilu Garden (綠景香頌美廬園)

LVGEM Chanson Meilu Garden is a residential and commercial project located at the junction of Minan Road and Minzhi Road, Longhua New Town District, Shenzhen. The project occupies a total site area of 5,540 sq.m. and consists of two residential buildings with commercial units at the basement level and forms part of Chanson Zoll Center. The project has an aggregate GFA of 28,845 sq.m. The project was completed in 2013.

LVGEM 1866 Garden (公館1866花園)

LVGEM 1866 Garden is a residential and commercial project located at the interchange of the eastern side of Meilong Road and southern side of Zhongmei Road, Longhua District, Shenzhen. It is divided into two zones, the North Zone and the South Zone. The North Zone consists of seven residential buildings, occupying a total site area of 41,840 sq.m. with an aggregate GFA of 200,525 sq.m. The South Zone has six residential buildings, occupying a total site area of 35,955 sq.m. with an aggregate GFA of 186,957 sq.m. In addition, LVGEM 1866 Garden contains 1866 Zoll Center, which we hold as an investment property. The project was completed in 2013.

LVGEM International Garden (Zone A1) (綠景國際花城 (A1 區))

LVGEM International Garden (Zone A1) is a residential and commercial project located in Maoming, Guangdong, in the northwest region of Juzhou Park on Hexi Road. The project occupies a total site area of 48,795 sq.m. with a total GFA of 38,456 sq.m. and includes 30 townhouses. The project was completed in 2014.

Suzhou Garden Villa (錦華苑)

Suzhou Garden Villa was the first development project in Suzhou undertaken by our Group. The total development comprised a residential area of 73,044 sq.m., in the form of residential apartments, villas, classical courtyard houses, and a commercial area of 9,500 sq.m. The project consists of three phases and offers an assortment of traditional and modern residences, including classical courtyard houses, villas, and contemporary apartments. Landscape artisans and architects were commissioned to design the award-winning residential complex and the surroundings. Phase I, II, III was completed in 1995, 1996 and 1998 respectively.

Taihu Garden Court (錦澤苑)

Taihu Garden Court is located in the historical Guangfu Town of Wuzhong District. The project occupies a total site area of 131,445 sq.m. and comprises 373 townhouses with a GFA of 88,889 sq.m. The project was completed in 2013.

Lakeside Garden Court (錦盛苑)

Lakeside Garden Court is situated in Shengze Town of Wujiang District in Suzhou, which is a major silk and textile production center in China. It is situated on the east shore of the Long Zhong Lake. The project occupies a total site area of 86,236 sq.m. and comprises 86 low-density townhouses and 14 blocks of high-rise residential buildings with a GFA area of 152,373 sq.m. The project was completed in 2014.

LVGEM Hongwan Garden (綠景虹灣花園)

LVGEM Hongwan Garden is a residential and commercial project located in the Meilin area of Futian district, Shenzhen. The project comprises five residential buildings, two apartment buildings and Hongwan Zoll Centre. It occupies a total site area of 32,785 sq.m. with a GFA of 367,605 sq.m. The project was completed in 2015. The first lot pre-sold in 2014, and the remaining lot has launched in 2017.

LVGEM International Garden (Zone A2) (綠景國際花城 (A2 區))

LVGEM International Garden (Zone A2) is a residential and commercial project located in Maoming, Guangdong, at the northwest region of Juzhou Park on Hexi Road. The project occupies a total site area of 55,032 sq.m. with a total GFA of 211,839 sq.m. The project was completed in 2015.

Projects under development

LVGEM Mangrove Bay No. 1 Phase I (綠景紅樹灣一號一期)

LVGEM Mangrove Bay No. 1 Phase I is a residential and commercial project located in the southeast corner of the intersection of Shazui Road and Jindiyi Road, in the central business district of Futian district, Shenzhen. The project comprises three residential buildings and a building of integrated Grade A offices, hotels and apartments. It occupies a total site area of 24,424 sq.m. with a total GFA of 305,450 sq.m. The project is expected to be completed in 2017 and the pre-sale is expected to commence in the second half year of 2017.

LVGEM International Garden (Zone B) (綠景國際花城 (B區))

LVGEM International Garden (Zone B) is a residential and commercial project located in Maoming, Guangdong, at the northwest region of Juzhou Park on Hexi Road. The project occupies a total site area of 117,560 sq.m. with a total GFA of 555,969 sq.m. The project is expected to be completed in 2019.

Suzhou NEO Urban Commercial Complex (蘇州NEO都市商務綜合體)

Suzhou NEO Urban Commercial Complex is a residential and commercial project located in the core area of the Yuexi development zone, Wuzhong, Suzhou and situated at the west corner of Tayun Road, north corner of Su Street and east corner of Yuelaixi. It consists of offices, a mall and service apartments. The project occupies a total site area of 14,592 sq.m. with a total GFA of 81,539 sq.m. The project is expected to be completed in 2018.

Meijing Project (美景項目)

Meijing Project is an urban upgrade and redevelopment project located in Overseas Chinese Town, south of Beihuan Road, north of Qiaoxiang Road, east of the intersection of Qiaoxiang Road and Beihuan Road as well as west of Qiaochengfang in Shenzhen. The project aims to serve as an integrated zone for industrial research and development, complemented by residences, commercial centers and offices. The project occupies a site area of 10,862 sq.m. and a planned above-ground GFA of 97,214 sq.m. The project commenced construction at the end of 2016 and is expected to be completed in 2019.

Projects held for future development

LVGEM International Garden (subsequent phases) (綠景國際花城剩餘地塊)

LVGEM International Garden (subsequent phases) is a residential and commercial project located in Maoming, Guangdong, at the northwest region of Juzhou Park on Hexi Road. The project occupies a total site area of 611,860 sq.m. with a total GFA of 1,693,182 sq.m. The project is expected to be completed between 2022 and 2033 in multiple phases.

Lau Fau Shan Project (流浮山項目)

Lau Fau Shan Project is our Group's first Hong Kong property development project. The project is located in Deep Bay Road, Lau Fau Shan, Hong Kong and occupies a total site area of 82,400 sq.m., which is expected to consist of 116 oceanfront low density villas. The project is expected to be completed in 2021.

Projects planned to be redeveloped or contracted to be acquired for future development

LVGEM Mangrove Bay No. 1 Phase II (綠景紅樹灣一號二期)

LVGEM Mangrove Bay No. 1 Phase II is a residential and commercial project located in the southeast corner of the intersection of Shazui Road and Jindiyei Road, in the central business district of Futian district, Shenzhen. The project comprises three residential buildings and a building of integrated Grade A offices, hotels and apartments. It occupies a total site area of 17,589 sq.m. with a total GFA of 158,777 sq.m. The project is expected to be completed in 2019.

Liguang Project (黎光項目)

Liguang Project is located next to Sili Road, Old Village, Liguang Community, Shenzhen, near Guanlunhu Liguang Golf Club. It expects to occupy a site area of 271,202 sq.m. and is used for commercial and residential purposes. Phase I has a construction site area of 42,666 sq.m. and a plot ratio-based gross floor area of 156,300 sq.m. Special planning for Phase I of the project has been approved with demolition and relocation to be completed in 2017 and construction to commence in 2018. The project is expected to be completed in 2020.

Zhuhai Dongda Kaiwei Science Park (珠海東大凱威科技園)

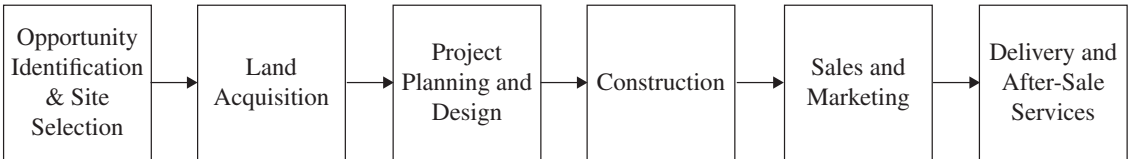
Zhuhai Dongda Kaiwei Science Park is located in Xiangzhou, Zhuhai occupies a site area of 79,525 sq.m. with a total GFA of 467,301 sq.m. It is expected to be completed in 2021.

Meilin Project (梅林項目)

Meilin Project is located in Futian, Shenzhen. The project occupies a site area of 5,000 sq.m. with a total GFA of 48,000 sq.m. It is expected to be completed in 2021.

OUR DEVELOPMENT PROCESS

The diagram below summarizes the major stages involved in developing a project:



We have a well-established project development process and depending on the project scale and complexity, it generally takes 24 to 36 months to complete a project after acquiring the relevant land use rights. For large-scale projects over 1,000,000 sq.m., we will adopt a rolling model to develop the land parcel in different phases.

Opportunity Identification and Site Selection

We consider opportunity identification and site selection to be a fundamental factor to the success of our project development operation and place great importance on the selection process. Our senior management determines the strategic direction and future project development plans. Based on the overall strategies and plans, our resource development center coordinates the site selection process. In conjunction

with its ongoing and in-depth demographic and market research and analyses with respect to the Pearl River Delta region, the resource development center continuously works to identify and assess potential development opportunities for new projects.

We take into consideration factors including the following when conducting opportunity and site selection analyses:

- development prospects and main functional structure of the region where the land parcel is located;
- the city where the land parcel is located and the nature of its core values, existing plot ratio and potential development scale;
- nature of the surrounding areas and suitability for residential property development or commercial property development;
- general economic conditions, demographics, population density, composition of industry sectors and economic vitality of the region;
- urbanization growth rate, disposable income and purchasing power of consumers;
- convenience of the site's location, transportation network, infrastructure and ancillary facilities;
- policy trends of the city government and urban planning and development plans of the local government;
- variety and degree of trading activities of similar products in the region;
- complexity of land ownership structure in the area and complexity of property rights related to the land parcel; and
- competitive landscape of the property market in the region and its general public opinions.

The resource development center prepares feasibility analysis reports for each site being considered to evaluate the development prospects and risk profile of a potential project and assesses aspects including the site's existing and potential commercial values, potential land acquisition costs, construction budget, expected return and risk control feasibility. Based on the results from the feasibility analysis reports, representatives from the resource development center, brand marketing center, project department and other relevant departments then together determine whether a site proposal should be submitted to our senior management for final review and approval.

Land Acquisition

We acquire land for our projects mainly through three methods: (i) urban redevelopment; (ii) acquisition of equity interests in companies that hold land use rights, or acquisition of property interests held by other companies; and (iii) public tender, auction or listing-for-sale. Our resource development center is responsible for coordinating the land acquisition process.

Urban Redevelopment

Urban redevelopment involves the resettlement of property owners, demolition of existing structures and construction of new properties. Historically, we have participated in the redevelopment of urban villages and redevelopment of old industrial sites. The urban redevelopment process is governed by local rules and regulations which may vary in different cities. Among the 13 completed projects in Shenzhen since we commenced operations, the land for 10 completed projects (including Lanwan Peninsula Community, Phase II of LVGEM Garden, Zhongcheng Tianyi Garden, LVGEM Hotel, LVGEM Chanson Garden, LVGEM Chanson Meilu Garden, Phase I of LVGEM New Garden, Phase II of LVGEM New Garden and Tower A of Shenzhen NEO Urban Commercial Complex and LVGEM Hongwan Garden) were acquired through urban redevelopment. In addition, all our ongoing projects in Shenzhen are also urban redevelopment projects.

The urban redevelopment agreements/plans which we enter into with the villagers-representative company generally include the following terms: (i) details of the project; (ii) deposit fees (if any) that we are required to pay the villagers-representative company; (iii) details relating to resettlement compensation in the form of cash or replacement properties, as well as transitional resettlement expenses (if any); (iv) details relating to the villagers-representative company's obligations to carry out the demolition and resettlement work, and to assist us to enter into land grant contracts and obtain relevant planning and construction permits; and (v) details of our obligations relating to the development costs of the project and the construction work, sales and maintenance of the properties.

We adopt a steady but proactive approach in acquiring land by means of urban redevelopment. On one hand, we proactively seek land parcels at urban villages or old industrial sites that complement our development needs and initiate contact with the relevant villagers-representative company of the urban village or owners of the relevant old industrial site to express interest in redeveloping the area. On the other hand, due to our reputation and successful track record in urban redevelopment, we are invited from time to time by villagers-representative companies of urban villages and owners of old industrial sites interested in urban redevelopment to carry out their urban redevelopment plans. Such invitations provide us with opportunities to identify potential quality projects. We then enter into a letter of intent or a master development agreement with the relevant villagers-representative company, in the case of an urban village, or property owners, in the case of an old industrial site, with respect to a potential urban redevelopment plan to commence the negotiation process.

Urban redevelopment plans are subject to government approval. According to the relevant provisions in the articles of association of the villagers-representative company or the property owners of an old industrial sites, the letter of intent and/or master development agreement are usually required to be approved by a minimum of 80% of the shareholders of the villagers-representative company of the relevant urban village or the property owners of an old industrial site.

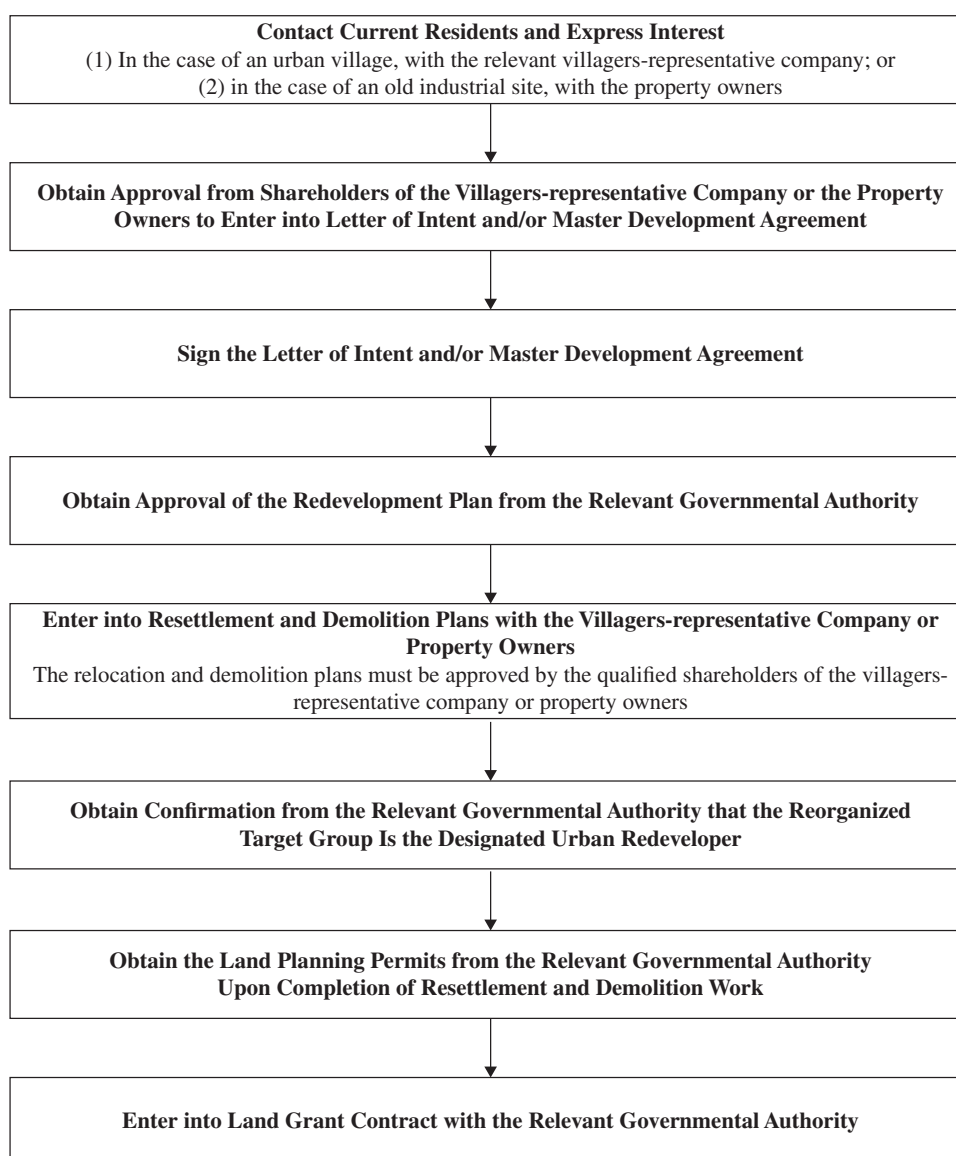
When entering into the letter of intent and/or the master development agreement, we may be required to pay a deposit fee to the villagers-representative company. Such a deposit fee will be used as resettlement compensation in accordance with the letter of intent and/or the master development agreement. Historically, the certain planning fees may also be incurred in the process.

We then enter into resettlement and demolition plans with the relevant villagers-representative company, in the case of an urban village, or property owners, in the case of an old industrial site, which stipulate details including the areas or structures to be demolished, resettlement compensation and transitional resettlement arrangements.

Resettlement compensation is made in the form of cash or replacement properties. Existing property owners who opt for compensation by replacement properties are also given transitional resettlement expenses in the form of rental income. We also sometimes make resettlement compensation in the form of replacement commercial properties, which allow property owners to enjoy income flows through the leasing of these commercial properties. The villagers-representative company of an urban village or property owners of an old industrial site are generally responsible for carrying out the demolition work. However, we may assist with the demolition work as requested by the villagers-representative company or property owners from time to time.

After obtaining the relevant consents from the shareholders of the relevant villagers-representative company or the property owners, as the case may be, and entering into resettlement and demolition plans, we may apply for approval from the relevant local authorities to become the designated developer for the redevelopment project and obtain the relevant permits to commence the resettlement and demolition process.

Upon completion of the foregoing steps, including the relocation of all existing residents and the completion of demolition work, we may enter into land grant contracts with respect to the land to be redeveloped with the relevant government authorities. Under the relevant rules and regulations of Shenzhen (which may differ from the rules and regulations of other regions), we are exempted from any land premiums for land with plot ratios below 2.5, whereas we only need to pay 20% of the land premiums for land with plot ratios between 2.5 and 4.5. For land acquired from old industrial sites, where the redeveloped land is to be used for industrial purposes, we only need to pay 50% of the benchmark land premium for the portion of the land which exceeds the previous GFA before the redevelopment. Where the redeveloped land will be used for residential or commercial purposes, we need to pay the valuated land premium for the portion of the land which exceeds the previous GFA before the redevelopment, with no discount. Depending on the size and complexity of an urban redevelopment project, it generally takes approximately two to five years acquire land through this method. The following chart illustrates the basic process for urban redevelopment as described above.



We believe that obtaining land by means of urban redevelopment is advantageous to our operations. Through urban redevelopment, we may obtain land parcels with relatively sizeable site areas situated in core regions of urban areas in a cost-efficient manner and avoid the intense competition of a public tender, auction or listing-for-sale process. Acquiring land by way of urban redevelopment also requires less front-end investment compared with acquiring land use rights through the public tender, auction or listing-for-sale process.

Acquisition of Equity Interests in Companies or Property Interests Held by Companies

In addition to participating in urban redevelopment, we acquire equity interests in companies that possess the land use rights for the targeted land or property interests held by other companies. We believe that this method allows us to obtain targeted land at competitive prices as we may negotiate the terms and conditions directly with the targeted companies or the counter parties. The sites of LVGEM Garden Estate, City Garden, LVGEM 1866 Garden, Zhonghe Tixiang Famous Garden, Lau Fau Shan Project and Zhuhai Dongda Kaiwei Science Park are examples of our projects acquired through this method.

Public Tender, Auction or Listing-for-sale

Occasionally, we may acquire land for its projects through the public tender, auction or listing-for-sale process organized by relevant government authorities. In a public tender, an evaluation committee consisting of no fewer than five members (including a representative of the grantor and other experts) evaluates and selects the tenders that have been submitted. In addition to the bidding price, consideration may be given to each bidder's real estate development experience and track record, credit history, qualifications and development proposals. Public auctions are normally held by the relevant local land reserves bureaus, and the land use rights are granted to the highest bidders. In a listing-for-sale process, conditions for granting the land use rights are generally specified by the relevant local land reserves bureaus before bids are submitted and the land use rights are granted to the bidder with the highest bid at the end of the listing-for-sale period.

We acquired the site of LVGEM International Garden through this method.

Project Design and Planning

Our planning and design center carries out our research and development as well as project coordination functions and is responsible for the overall planning and conceptual design of our projects. We conduct project planning and design throughout the land selection, pre-construction and construction phases.

At the preliminary site screening stage, the planning and design center outlines a conceptual plan and formulates an initial development plan based on the site's specifications. The initial plan is further developed into a more comprehensive master plan after a site has been selected, as the planning and design center considers findings from further market research studies and feasibility analysis reports prepared by our brand marketing center and resource development center, taking into account considerations such as target customers, product positioning, aesthetic preferences and government requirements.

We engage reputable domestic and international design consulting firms to perform detailed design work for its projects based on its specific requirements and targeted results. We believe that a good project design significantly optimizes cost and enhances the value and marketability of a project. As such, we carefully select design consulting firms based on their respective strengths and specialties and engages different design consulting firms for different aspects of a project such as architectural design, landscape design, interior design and ancillary facility design. All design consulting firms are Independent Third Parties which we select through a tender-by-invitation process based on factors such as type of property development, project scale and positioning, budget, preferred design style, price quote, technical capabilities, firm reputation and track record.

Our planning and design center communicates closely with personnel from our project department, cost management center, tender and procurement center and other relevant departments throughout the planning and design process to obtain a comprehensive view on aspects such as budget and cost, procurement and marketing and sales efforts to enhance the efficiency of the property development process. The final design is submitted to relevant PRC government authorities for approval and becomes the blueprint for the construction of a project.

Construction

Appointment of Construction Companies

We outsource the construction work of our projects to external independent third party construction companies. Outsourcing construction work allows us to better focus on our business as a property developer, and to leverage the expertise of the construction companies and minimize certain risks, such as risks from fluctuations in the cost of raw materials.

We select construction companies for our projects through a tender process in accordance with the Law on Tender and Bidding of the PRC (中華人民共和國招標投標法) and the Rules on the Tender Scope and Criteria for Construction Projects (工程建設項目招標範圍和規模標準規定). The tender process may be conducted via open tender or tender by invitation. During 2014, 2015, 2016 and the six months ended June 30, 2017, the majority of the construction companies for our projects were selected through tender by invitation. We prefer construction companies with which we have long-term working relationships to ensure the quality of its products, and has an internal list of construction companies that meet its criteria and which it may invite to tender for new projects. To ensure the quality and workmanship of our properties, we apply stringent criteria in the selection of our construction companies. When assessing construction companies, we take into consideration factors such as professional qualifications, reputation, credentials, financial condition, experience, price quote, track record and quality of construction work, proposed construction schedule and plan and technical capabilities.

We enter into construction contracts with our selected construction companies, where the contracts contain warranties provided by the construction companies with respect to construction schedules, quality and safety standards. The construction companies are required to pay fines in the event of delays and are responsible for the costs incurred in rectifying construction defects, pre-and post-completion and delivery. In addition, we may terminate a construction contract if the construction company causes any material delay to the development schedule or irreparable damage to the project development.

We make payments to construction companies in installments in accordance with the terms and conditions stipulated in the construction contracts and the percentage required at each stage varies from case to case. In general, we pay the construction companies 80% of the full contract price during the construction process, and 85% to 90% of the contract price when the construction work is completed after reviewing and ensuring that the finished product is satisfactory. In general, we settle up to 95% of the total contract price within two months of the completion of construction, and retains the remaining 5% as quality deposit for one to five years. The quality deposit is used to cover any contingent expenses incurred as a result of construction defects.

Procurement

The construction companies are generally responsible for the procurement of raw materials, such as concrete and steel, used in the construction process. Such raw material costs are included in the pre-agreed contract prices with the construction companies. We are responsible for purchasing specific materials and fixtures such as elevators, air conditioners and generators.

For materials which the construction companies are responsible for procuring, we normally specify a list of brands which meet our standards and the construction companies then procure such materials with reference to pricing guidelines issued by local authorities. For materials which materially affect the designs of our products, such as external finishing materials, decorative materials for interior walls and valves, we may require the construction companies to procure materials of specific brands at prices we pre-negotiate with suppliers.

To maximize our economies of scale and bargaining power, we centrally procure raw materials we are responsible for through our tender and procurement center. We normally seek tenders from no less than three suppliers for each type of raw material we procure, and enter into contracts with terms that range from one to two years (or with terms that are consistent with the construction periods of the relevant projects) with the winning bidders. The procurement contracts normally do not allow for price adjustments and we are not subject to any minimum purchase commitments.

We can, to a certain extent, pass any increases in raw material costs to our customers by increasing the prices of our products. However, we still bear the risk of price fluctuations in raw materials to the extent that we are unable to increase our prices to fully cover any increases in costs.

In general, we make payments to our suppliers in installments in accordance with the terms and conditions stipulated in the procurement contracts, and payment terms granted by its suppliers vary depending on factors such as the relationship between the supplier and us and the transaction size. We are normally required to settle payment within 15 to 30 days of the receipt of invoices, which are normally provided to us after the products have passed our quality control inspection processes and those of the construction supervision companies.

Suppliers may enter into new tender bids when the relevant contractual periods expire. Typically, we may terminate a contract if the supplier fails to supply the relevant materials in accordance with the terms of the contract, industry standards or relevant regulatory requirements.

We do not maintain any inventory of construction materials. We maintain a supplier list for the raw materials which we are responsible for purchasing to ensure we have sufficient options and alternatives when a supplier fails to meet our demand and to avoid supply shortages.

Project Monitoring and Quality Control

We place significant emphasis on quality control with regard to the construction and management of our projects. To ensure quality of properties and compliance with relevant laws and regulations, we have established a system of quality control policies and procedures to govern each aspect of the development process.

Our construction management center is responsible for overseeing the overall construction process for each of our projects. Our construction management center regularly reviews our projects under construction and conducts monthly on-site inspections. If there are any instances of non-compliance, our construction management center reports them to senior management and requires the non-compliant entity to rectify the issue within a specified timeframe. Our construction management center has a team of personnel to manage the quality control aspects of our projects.

At each project level, our project department is responsible for supervising the quality control process of our projects. Personnel from our project department are based on-site to closely monitor the quality and progress of construction work and selection of construction materials to ensure all construction work is completed according to relevant timetables and in compliance with our quality standards and applicable national requirements.

In compliance with relevant PRC laws and regulations, we engage independent certified construction supervision companies to monitor the entire construction process of our projects. The construction supervision companies conduct quality inspections on construction materials and on-site workmanship checks to ensure all construction materials and properties meet our prescribed specifications and applicable regulatory requirements. In addition, all properties under development are inspected regularly and prior to delivery.

Our inspection process includes the following: (i) all materials and equipment are inspected when entering the site and samples are sent to qualified inspection units for approval. Materials and equipment with unsatisfactory inspection results cannot be used; (ii) all sub-divided work steps are inspected on-site by construction supervision companies. Only when the inspection results of a work step are satisfactory can the next work step be carried out; and (iii) the construction work of a project must be inspected and confirmed by the design unit, surveying unit, construction company, construction supervision company and us.

The construction companies which we engage are not allowed to subcontract or transfer their contractual agreements with us to third parties without our prior consent. When subcontracting construction works to third parties under our consent, the construction companies are obliged to supervise and ensure the subcontractors' construction works are in strict compliance with our specifications and requirements, and to provide us with progress reports on a regular basis so that we are able to closely monitor the construction progresses.

Sales and Marketing

Pricing

Our ability to price our products at desired levels has been, and will continue to be, important to our results of operations. Generally, we determine the prices of our for-sale properties based on a variety of factors, including market conditions, competitive landscape and prices of comparable properties in the market, expected investment returns, positioning of properties, target customers and cost of construction. We also adjust the prices of our for-sale properties during the sales process based on market responses we experience, especially when we experience favorable responses. To provide confidence to our customers, we do not normally make downward adjustments in the prices of our for-sale properties during the sales process.

Pre-sales

We commence pre-sale activities for our properties prior to their completion, usually within 11 to 18 months after the commencement of construction. According to the applicable PRC laws and regulations, there are certain criteria which must be met before we may commence any pre-sale activities for a property under development. These conditions include full payment of the land grant premium and acquisition of all relevant land use rights certificates, construction-related permits and pre-sale permits. See “Regulation — Sale of Commodity Properties.”

Further, in some cities where we operate, such as Shenzhen, the use of pre-sale proceeds is restricted. Under the applicable rules and regulations of these local governments, the use of pre-sale proceeds is restricted to be primarily for the construction and development of the relevant projects. See “Regulation — Sale of Commodity Properties.”

Sales, Marketing and Promotion

Our brand marketing center is responsible for formulating marketing and sales strategies and managing the overall marketing and sales process. It makes decisions with respect to product positioning and is closely involved in each property development process, from land selection to pre-sales and sales of properties. It also conducts regular market research studies and constantly monitors the changing market conditions to adjust its marketing and sales strategies in a timing manner. We have a well-established team of sales and marketing personnel to develop marketing and brand promotional plans

as well as advertising and sales plans for the properties to be sold or leased. Additionally, our senior management is also engaged in the sales process, where their role includes devising optimal sales and positional strategy, designing sales office and show flats, determining pricing strategy and overseeing the sales teams to ensure they convey the appropriate and intended marketing message to potential purchasers.

Our marketing and sales strategies vary from project to project and depend on factors including market conditions, project scale and targeted customer group. Our main marketing channels include newspapers, magazines, television and billboards, as well as the Internet, where we focus on delivering differentiated product positioning to buyers and leveraging the recognition of our brand through landmark projects such as our Shenzhen NEO Urban Commercial Complex. We may also host corporate marketing events such as corporate culture seminars (企業文化講座) and discussion groups to extend our reach to target customers. For the years ended December 31, 2014, 2015, 2016 and the six months ended June 30, 2017, our selling expenses were RMB51.4 million, RMB56.5 million, RMB58.3 million and RMB14.8 million (US\$2.2 million), respectively.

We also engage reputable third-party real estate sales agents to facilitate the marketing and sales of our projects. We generally enter into standard service agreements with sales agents, which include key terms such as the scope of retention, duration of services, scope of authorization, fees and payment method. The standard service agreements also stipulate that the sales agents must not conduct unauthorized sales or sell our properties at prices lower than those that we have agreed, and that the sales agents must carry out truthful advertising and comply with all applicable regulatory requirements. Commissions to the sales agents are negotiated on a case-by-case basis. The sales agents do not receive any sales payments on our behalf. Payments are made by the customers directly to company accounts we have designated.

Payment Arrangements

Customers may purchase our properties by one lump-sum payment or payment by installments. For customers who opt to pay by installments, they may fund their purchases by personal funds or mortgage loans provided by commercial banks.

We typically require our customers to pay a deposit upon entering into a sale and purchase agreement. Such deposits are non-refundable and are forfeited if the customers default on the purchases. Customers who purchase properties by making one lump-sum payment are normally required to fully settle the total purchase price within the prescribed period after entering into the relevant sale and purchase agreements. Customers who pay by installments are required to make payments in accordance with the agreed payment schedules. Outstanding balances must be fully settled prior to property delivery. Customers who purchase properties with mortgage loans are required to pay a down payment of no less than 30% of the total purchase price upon entering into a sale and purchase agreement. The outstanding amounts are settled by the mortgagee banks within the prescribed period pursuant to the respective bank financing agreements.

In line with industry practice in the PRC, we provide guarantees to mortgagee banks for the mortgage loans offered to its customers. These guarantees are typically released upon the issuance of the relevant property ownership certificate for the property and the registration of the mortgage in favor of the mortgage bank. If a purchaser defaults on a mortgage loan during the guarantee period, we are required to repay the outstanding balances owed to the mortgagee bank. We are assigned the title to the mortgage loan, giving us rights to the property, after settling such outstanding balances. In accordance with industry practice, we rely on the credit checks conducted by the mortgagee banks and does not conduct independent credit checks on its customers.

Delivery and After-sale Services

Delivery of Properties

We believe that delivering quality properties and providing satisfying purchasing experiences to customers are fundamental to the success of our business. We closely monitor the construction progress of our properties so as to deliver properties to our customers within the timeframe specified in the respective sale and purchase agreements and in a manner that complies with PRC laws and regulations. Prior to delivery, all properties are inspected by personnel from our customer service center from a customer's perspective to ensure customer satisfaction. Only when the identified issues have been rectified are the properties delivered to the customers.

The timeframes for delivery are set out in the relevant sale and purchase agreements. Under a typical sale and purchase agreement, we are liable to pay a monetary penalty of 0.03% to 0.04% of the purchase price on a daily basis until delivery of the property if we fail to deliver the property on the delivery day stipulated in the agreement. A purchaser may have the right to repudiate the sale and purchase agreement if the delay exceeds 90 days, and we must return the full payment, together with an extra penalty of approximately 10%, within 10 days of receiving the notice of repudiation from the customer.

After-sale Services

We are committed to customer satisfaction and offer our customers comprehensive after-sale services, including, among others, providing assistance in obtaining property ownership certificates, following up on warranty issues and performing maintenance services. Our after-sale services are managed by our customer service center.

We value feedback from our customers and believe it is important in helping us maintain customer relationships, improve product and service quality and identify customer preferences. We maintain a customer service telephone hotline for customers to provide feedback and complaints about our products and services. It is our policy to attend to any customer feedback or complaints in a timely manner. In addition, to better understand the needs of our customers so as to improve its offerings, we conduct satisfactory surveys from time to time.

To maintain long-term relationships with customers, establish customer loyalty and foster brand awareness, we established the LVGEM Club (綠憬會), a membership program in which our purchasers are automatically enrolled. Members of the program receive sales information regarding our latest projects prior to the public sales and are invited to attend our organized activities from time to time. Members may also enjoy discounts when shopping at our Zoll Centers.

Warranties and Returns

We provide our customers with warranties for the quality of building structures pursuant to the Measures on the Sales of Commodity Housing and Regulations for the Operations of Urban Property Development. In addition, in accordance with the published national standards, we provide quality warranties for ground foundations, main structures, waterproofing work, water and electricity work, decorative work and sanitary wares. The warranty durations vary depending on the covered items and are usually for a period of no less than two to five years. The warranty durations for ground foundations and main structures are the relevant reasonable lifespans stated in the design documents.

Our construction companies are responsible for rectifying quality defects in the properties, whether such defects are discovered pre-or post-completion and delivery. We may repair quality defects only if the construction companies cannot repair the defect in a timely manner. We generally retain a quality deposit of 5% of the total contract price for approximately one to five years to cover any contingent expenses that may be incurred as a result of any quality defects.

Except where we have breached a sale and purchase agreement, we do not allow returns of properties from our customers.

COMMERCIAL PROPERTY INVESTMENT AND OPERATIONS

As of June 30, 2017, we held 15 properties as investment properties, with an aggregate GFA of 403,261 sq.m. The following table sets forth certain information of our held investment properties as of June 30, 2017.

Project name	City	Type	Completion Date	Total GFA (sq.m.)	Original cost (RMB) in millions	Fair market value as of June 30, 2017 ³ (RMB) in millions	Rental income in six months ended June 30, 2017 (RMB) in millions	Fair value yield ⁴	Cost yield ⁵
Hongwan Zoll Center	Shenzhen	Shopping mall and car parks	2015	51,231.87	833.3	1,450.0	10.05	NA	NA
Mangrove Bay No. 1 Zoll Center	Shenzhen	Shopping mall and car parks	2017 ⁶	29,945.00	375.3	956.5	–	NA	NA
1866 Zoll Center	Shenzhen	Shopping mall and car parks	2014	54,361.43	299.0	1,274.0	22.61	3.5	15.1
Chanson Zoll Center	Shenzhen	Shopping mall and car parks	2013	36,887.47	235.3	824.9	17.85	4.3	15.2
LVGEM Chanson Meilu Garden	Shenzhen	Commercial units	2013	328.00	3.1	16.4	0.18	2.2	11.6
Shenzhen NEO Urban Commercial Complex Tower A ¹	Shenzhen	Office units, commercial units, and car parks	2011	108,359.61	1,130.1	5,693.4	139.59	4.9	24.7
Shenzhen NEO Urban Commercial Complex Tower B&C ¹	Shenzhen	Commercial units and car parks	2011	26,097.10	123.8	784.1	18.89	4.8	30.5
City Garden	Shenzhen	Commercial units	2010	4,809.50	39.1	144.1	1.68	2.3	8.6
LVGEM Hotel – Commercial units	Shenzhen	Commercial units	2008	4,412.00	46.8	91.4	1.82	4.0	7.8
LVGEM Garden Phase II	Shenzhen	Commercial units	2005	20,611.54	94.3	445.9	7.02	3.1	14.9
Lanwan Peninsula Community	Shenzhen	Commercial units	2004	2,812.47	13.8	181.5	1.74	1.9	25.2
LVGEM Garden Estate	Shenzhen	Various commercial units and ancillary units	2000	3,816.25	5.9	84.2	1.70	4.0	57.6
Yi Jia Industrial Park	Shenzhen	A parcel of land and blocks	N/A ²	37,415.36	49.8	223.1	5.18	4.6	20.8
Suzhou Garden Villa	Suzhou	Shopping malls, apartments and a villa	1995 – 2004 (Phase I – 4)	16,984.83	80.8	206.7	4.88	4.7	12.1
International Garden Zoll Center	Huazhou	Shopping mall	2015	5,188.54 ⁹	22.2	23.6	0.18	NA	NA
Total				403,260.97	3,352.7	12,399.86	233.37	4.5%	21.0%

Notes:

- (1) This is a part of the Shenzhen NEO Urban Commercial Complex.
- (2) Existing property is expected to be redeveloped in the future.
- (3) As appraised by property valuer Jones Lang LaSalle.
- (4) Calculated as rental income for the period, annualized then divided by fair market value as of June 30, 2017.
- (5) Calculated as rental income for the period, annualized then divided by original cost.
- (6) LVGEM Hongwan Garden recently commenced operations in January 2017. LVGEM Mangrove Bay No. 1 is still under construction and is expected to commence operations in 2018.
- (7) The minor discrepancy compared to RMB238.1 million of revenue from commercial property investment and operations in six months ended June 30, 2017 is due to certain additional rental income from properties not classified as investment properties.
- (8) Excludes Hongwan Zoll Center, Mangrove Bay No.1 Zoll Center and International Garden Zoll Center.
- (9) GFA in operation as of June 30, 2017. An additional GFA of 16,977 sq.m. is expected to be in operation by the end of 2017.

OUR “NEO” AND “ZOLL” BRANDS

We own and operate commercial properties under two key brand names: “NEO” and “Zoll”. These commercial properties include Zoll Centers, NEO Urban Commercial Complexes and other retail space and have a combined GFA of 312,071 sq.m.

Our “NEO” brand is associated with large urban commercial complexes. We currently operate the Shenzhen NEO Urban Commercial Complex, located in the western region of the central Futian District of Shenzhen, which comprises of tenants from several Fortune Global 500 companies. It has been named one of Shenzhen’s top 10 landmark buildings, significantly enhancing the value of the Group’s brand.

Our “Zoll” brand represents community lifestyle, which integrates residential properties with complementary commercial facilities to meet the shopping, entertainment, social, health and education-related needs of the community residents and residents from neighboring communities. Our Chanson Zoll Center project was selected as the Best Community Commercial Project (最佳社區商業項目) in 2012 by winshang.com (贏商網) and United 21 Century China Commercial Property Academy (聯合21世紀中國商業地產研究院) and the Best Community Commercial Project (最佳社區商業項目) in 2013 by Guardian Property New Media (觀點地產新媒體). In 2016 it was further recognized as the most popular shopping mall in the district by Southern Metropolis Daily and also received the Mall China Golden Mall Awards 2013, 2014 and 2016 Community Shopping Center Award (中購聯中國購物中心2013, 2014和2016年度社區購物中心大獎) by mallchina.org (中購聯) in 2013, 2014 and 2016, respectively.

We are currently developing a NEO Urban Commercial Complex combined with Zoll Center in Suzhou, located east of River Yuelai and west of Ta Yun Road, Economic Development Area in Wuzhong District. We aim to further expand our “NEO” and “Zoll” brand to other regions.

Completed projects

Shenzhen NEO Urban Commercial Complex (深圳NEO都市商務綜合體)

Shenzhen NEO Urban Commercial Complex is located at the interchange of Shennan Boulevard and Xiangmihu Street, Futian district, Shenzhen. It has a GFA of 134,457 sq.m., and consists of three tower building, Tower A, which offers Grade A offices, and Towers B and C which offer office, retail and residential spaces. Towers B and C commenced operations in 2011 and Tower A commenced operations in 2012. It was recognized as “One of the top ten landmarks in Shenzhen”. Our key tenants include banks, telecommunications operators, large state-owned enterprises and the local offices of the Global Fortune 500 companies. As of December 31, 2014, 2015, 2016 and June 30, 2017, the occupancy rates of Shenzhen NEO Urban Commercial Complex were 98%, 100% and 99%, 100%, respectively.

Chanson Zoll Center (香頌佐岭中心)

Chanson Zoll Center commenced operations in May 2013 and is located at the junction of Bulong Road and Minzhi Road of Longhua New District, Shenzhen. It has a GFA of 36,887 sq.m. It is a two-story community center with a one-level basement and was our first Zoll Center. It was developed in conjunction with LVGEM Chanson Garden which includes five residential buildings. Chanson Zoll Center provides comprehensive shopping, dining, entertainment and physical fitness experiences to its neighborhood residential communities, and, in particular, targets middle-income residents of the Longhua New District. Chanson Zoll Center is home to a wide variety of domestic and international brands. Examples of its anchor tenants include Uniqlo, China Resources Vanguard, Dadi Cinema, Molly Fantasy, Starfish, Starbucks and Burger King. In 2014, 2015, 2016 and the six months ended June 30, 2017 the occupancy rate was 96%, 92%, 89% and 95%, respectively.

1866 Zoll Center (公館1866花園佐岭中心)

1866 Zoll Center commenced operations in May 2014 and is located in Longhua New District, Shenzhen. It was developed in conjunction with our LVGEM 1866 Garden which includes 13 residential buildings. It has a GFA of 54,361 sq.m., and provides comprehensive shopping, dining and entertainment options and sports facilities. It has over 20 anchor tenants, which include financial companies, restaurants, children education centers and health and leisure entertainment centers. Examples of its anchor tenants include Decathlon, China Resources Vanguard, Starbucks, Catic Wellness, China Merchants Bank, Bank of Communications and China Everbright Bank. In 2014, 2015, 2016 and the six months ended June 30, 2017 the occupancy rate was 96%, 98%, 94% and 99%.

Hongwan Zoll Center (虹灣佐岭中心)

Hongwan Zoll Center is located in Futian, Shenzhen and commenced operations in January 2017. It was developed in conjunction with LVGEM Hongwan Garden, which consists of five high-rise residential buildings and two apartment buildings. It has an GFA of 51,232 sq.m. As of June 30, 2017, it had reached an occupancy rate of 99%.

Projects under construction

The table below sets forth details of our current projects under construction.

<u>Project name</u>	<u>Location</u>	<u>Expected opening date</u>	<u>Total GFA</u> (sq.m.)	<u>Type</u>
International Garden Zoll Center . .	Maoming	End of 2017	22,166 ¹	Zoll
Mangrove Bay No. 1 Zoll Center . .	Shenzhen	End of 2018	29,945	Zoll
Suzhou NEO Urban Commercial Complex and Zoll Center	Suzhou	2019	81,539	NEO and Zoll

(1) GFA of 5,188 sq.m. in operation as of June 30, 2017. An additional GFA of 16,977 sq.m. is expected to be in operation by the end of 2017.

Property Lease and Tenants (Shenzhen NEO Urban Commercial Complex)

Lease

In general, we enter into lease agreements for our Shenzhen NEO Urban Commercial Complex with terms that range from three to five years. Long-term lease agreements of up to ten years are normally entered into with national banks or large corporations. Rental fees are usually fixed during a preliminary period with predetermined periodic rental increases in the remaining lease term.

We determine the lease terms with reference to prevailing rental rates and the terms and conditions of comparable properties. The lease agreements we enter into with tenants typically specify the rental fee, security deposit, the tenant's ability to renovate the leased property as well as the requirement to pay property management and utility fees. The tenants are usually required provide a security deposit that amounts to one to three months' rent. We are entitled to retain such security deposit if a tenant terminates the lease without cause before the expiry of the lease term.

Under a typical lease agreement, the tenant is also required to pay property management fees to the property management company of Shenzhen NEO Urban Commercial Complex. Pursuant to the lease agreement, a tenant enters into a separate property management service agreement with the property management company which stipulates the management fee, utility fee and other relevant fees. We provide our tenants with property management services primarily through our wholly owned subsidiaries. In addition, we charge certain tenants with promotional fees, site use fees and advertising space use fees.

In general, we may terminate the lease agreement with a tenant under circumstances such as: (i) the tenant has defaulted on the rental payment or property management fee for more than 30 days; (ii) the tenant has renovated the leased property or changed the use of the leased property without our consent; (iii) the tenant has breached the other terms in the leased agreement and failed to rectify within the timeframe specified by us. On the other hand, a tenant may terminate the lease agreement under circumstances including, but not limited to: (i) we have failed to deliver the leased property on time; and (ii) the leased property delivered by us has material defects which result in the impossibility to carry out the lease purpose, and we have failed to take reasonable measures to repair such defects within the prescribed period.

Tenants

As of June 30, 2017, we served a large and diverse tenant base consisting of approximately 120 individual leases. Examples of major tenants of the NEO Commercial Complex include China Mobile, ICBC, China Petroleum, Bank of Shanghai, SPD Bank, Jinrun Loan, Fuji Xerox, AVIC International and Guotai Junan Securities. The majority of such major tenants have established long-term relationships with us of three to ten years.

Property Lease and Tenants (Zoll Centers)

Lease

In general, we enter into lease agreements for our Zoll Centers with terms that range from one to fifteen years. Long-term lease agreements are normally entered into with well-known international brands, chain stores and anchor stores. For instance, the lease term of the agreement between us and China Resources Vanguard, a well-known supermarket chain in China, is 15 years. We believe that the long-term leases with such tenants provide us with stable rental revenue and may help enhance the positioning of the

Zoll Centers. We usually enter into short-term lease agreements with new or less well-known brands for a term of one year, such that we may adjust our tenants based on prevailing market conditions from time to time.

In a lease agreement, we generally require the tenant to provide a security deposit that amounts to one to three months' rent. We are entitled to retain such security deposit if the tenant terminates the lease without cause before the expiry of the lease term.

Under a typical lease agreement, the tenant is also required to pay property management fees to the property management company of the Zoll Center. Pursuant to the lease agreement, a tenant enters into a separate property management service agreement with the property management company which stipulates the management fee, utility fee and other relevant fees. We provide our tenants with property management services primarily through our wholly owned subsidiaries. In addition, we charge certain tenants with promotional fees, site use fees and advertising space use fees.

In general, we may terminate the lease agreement with a tenant under circumstances such as: (i) the tenant has defaulted on the rental payment or property management fee for more than 30 days; (ii) the tenant has renovated the leased property or changed the use of the leased property without our consent; (iii) the tenant has breached the other terms in the leased agreement and failed to rectify within the timeframe specified by us. On the other hand, the tenant may terminate the lease agreement under circumstances including, but not limited to, the following: (i) we have failed to deliver the leased property on time; and (ii) the leased property delivered by us has material defects which result in the impossibility to carry out the lease purpose, and we have failed to take reasonable measures to repair such defects within the prescribed period.

Tenants

As of June 30, 2017, the Zoll Centers served a large and diverse tenant base consisting of approximately 230 individual leases. The Zoll Centers are home to many domestically and internationally renowned retailers, fast-food chains and cinema operators, which we believe help enhance the positioning and retail offering of the Zoll Centers, attract higher visitor traffic and improve the overall rental potential of the Zoll Centers. Examples of major tenants of the Zoll Centers include China Resources Vanguard, Bank of Shanghai, Bank of Communications, China Everbright Bank, Starbucks, Uniqlo, Guangdong Nanyue Bank, Decathlon and Watsons. The majority of such major tenants have established long-term relationships with us of one to 15 years.

COMPREHENSIVE SERVICES

Property Management

We provide comprehensive services to purchasers and tenants of our residential and commercial properties. These comprehensive services include property management services, hotel operations and others. We provide comprehensive property management services for most of our property development projects through our wholly-owned subsidiaries, namely Shenzhen LVGEM Jiyuan Property Management Service Co., Ltd., Shenzhen LVGEM Property Management Co., Ltd. and Huazhou LVGEM Property Management Co., Ltd. Our property management services include security services, property maintenance and management of ancillary facilities. As of June 30, 2017, we provided property management services to the residents and tenants of 19 properties, including commercial and residential properties, with an aggregate GFA of approximately 2.29 million sq.m. Except for two properties, all of our managed properties were developed by us. Shenzhen LVGEM Property Management Co., Ltd. possesses ISO9001:2008 certification for its quality system of property management services and the level A property management qualification.

Hotel

LVGEM Hotel

We also operate and manage our LVGEM Hotel. LVGEM Hotel is a business hotel located at the interchange of West Xinzhou Road and Xinzhou 6th Road, Futian, Shenzhen. The hotel has a total GFA of 25,751 sq.m. The hotel has been managed by Jinjiang International Hotel Management since April 2011 and has over 330 rooms and complementary facilities, including two multi-functional rooms, one banquet hall and a video conference room. During the period ended June 30, 2017, the average occupancy rate for the hotel was approximately 75.8%. In 2017, LVGEM Hotel was awarded “The Most Popular Hotel” by the Shenzhen Tourism Association and “Top 20 Local Brand Hotel of Shenzhen in 2016”.

LVGEM Hotel is managed by Jinjiang International Hotel Management Co., Ltd. (錦江國際酒店管理有限公司) (“**Jinjiang**”), a well-known hotel management company in China. We entered into a hotel management agreement with Jinjiang in 2011 for a term of eight years. Pursuant to the hotel management agreement, we pay Jinjiang two per cent of the total annual revenue of LVGEM Hotel as a management fee, which is paid on a monthly basis. In addition, each year Jinjiang is entitled to a performance based bonus according to the hotel management agreement. For the years ended December 31, 2014, 2015, 2016 and the six months ended June 30, 2017, the management fees that we paid to Jinjiang amounted to RMB2.2 million, RMB2.1 million, RMB2.0 million and RMB0.7 million (US\$0.1 million), respectively. Pursuant to the hotel management agreement, we have the right to use the logo and name of Jinjiang for marketing purposes.

Vanlee Hotel

We acquired Vanlee Hotel, located in Covina, California, United States at an auction in 2017. It occupies a site area of 22,652 sq.m., and features 258 rooms and over 9,000 sq.ft. of event space. It is currently in operation and the refurbishment work is expected to be commenced in the end of 2017.

RISK MANAGEMENT AND INTERNAL CONTROL

We recognize that risk management is critical to the success of any property developer and operator.

In order to meet these challenges, we have established the following structures and measures to manage our risks:

- *Code of conduct:* Our code of conduct explicitly communicates to our employees the values, acceptable criteria for decision-making and the standards on employees’ behaviors;
- *Asset management:* we have adopted a set of rules and policies to govern our asset investment and management aspects to ensure a healthy financial system and to avoid internal abuse. These rules and policies cover areas including payment settlement, proceeds and accounts management, provision of guarantees, cash management and fixed asset investment and management;
- *Anti-corruption:* our internal control and corporate governance policies provide the tools and resources necessary to enable, monitor and enforce full compliance with relevant anti-bribery and anti-corruption laws. Further, we welcome the public to report any unethical professional conducts or fraudulent activities through its customer hotline; and

- *Compliance with applicable laws and regulations:* our internal control and corporate governance policies aim to ensure compliance with applicable laws and regulations, including, among others, aspects related to corporate governance, project management, tendering process management, labor safety, connected transactions and sales transactions with employees and senior management. In addition, where necessary, we also engages professional advisors to advise it on matters relating to ongoing compliance with applicable laws and regulations.

Additionally, we focus on five areas of internal control:

- *Environment control:* cultivating full risk management awareness and knowledge to our employees, continuing to improve on our corporate governance and structure, in particular by ensuring appropriate supervision and authorization for each business unit, and continuing to improve our systems and standardize business processes that would minimize our risks;
- *Risk assessment:* identifying and analyzing risks associated with operations and internal control, confirming risk management objectives and developing risk management strategies;
- *Activity control:* controlling and identifying risks through business processes, such as identification, confirmation, review, approval and authorization;
- *Information and communication:* establishing an information disclosure system at all levels and departments, which includes daily reporting and disclosure mechanism to ensure the timeliness and effectiveness of information transmission and maintains effective communication with external parties, such as our customers; and
- *Internal supervision:* we regularly review the effectiveness of our internal control systems and execution, and rectify any gaps in internal culture.

COMPETITION

We compete with other real estate developers for residential and commercial property projects and our other businesses, particular those that operate in Shenzhen and other cities in the Pearl River Delta region, where we primarily operate. We believe that the major competitive factors in the residential property market include the geographic location, product design and quality management expertise, financing, access to transportation infrastructure, government support, size of land reserves, scale of the development project, management expertise, number and quality of supporting services and facilities, brand recognition by customers, customer services and support, creditworthiness and price. There is no assurance that we will be able to continue competing effectively in our industry.

PROPERTIES FOR OUR OWN USE

Properties owned and leased by us mainly include offices. As of June 30, 2017, the properties owned and used by us accounted for an aggregate GFA of approximately 1,760 sq.m. and properties that we leased had an aggregate GFA of approximately 620 sq.m.

AWARDS AND RECOGNITION

We have been often recognized by the government and professional institutions for our ability and the quality of our property development projects, including:

<u>Year</u>	<u>Recipient</u>	<u>Honor/Award</u>	<u>Awarding body</u>
2011-2017	LVGEM	Top 10 Shenzhen Real Estate Development Enterprises in terms of Comprehensive Strength	Shenzhen Real Estate Association
2017	LVGEM	Ranked fourth of the Top 13 “Trustworthy” enterprises in Shenzhen’s real estate industry	Shenzhen Real Estate Association
2014	LVGEM Hongwan Garden	Twin Gold Award in Planning and Construction	The Architectural Society of China
2016	LVGEM	Excellent property management in the industry	MallChina.org
2015	LVGEM	Commercial property management company award	MallChina.org
2015	Shenzhen NEO Urban Commercial Complex	Civilized and law-abiding leaser	Shenzhen House Tenancy Management Office and Shenzhen House Tenancy Guild
2014	Shenzhen LVGEM Jiyuan Property Management Service Co., Ltd.	2013 Outstanding Member in Innovation and Development	Shenzhen Property Management Association
2014	Zhongcheng Tianyi Garden	National Model for Residential Property Management in 2013	Ministry of Housing and Urban-Rural Development of the People’s Republic of China
2014	LVGEM	the China Property Annual Meeting Year Social Responsibility Award in 2014	Southern Metropolis Daily

<u>Year</u>	<u>Recipient</u>	<u>Honor/Award</u>	<u>Awarding body</u>
2013	LVGEM	Annual Brand Award in 2013	Southern Metropolis Daily and Peking University HSBC Business School
2012	Shenzhen LVGEM Real Estate Co., Ltd.	Annual Sales Award in 2012	Southern Metropolis Daily
2012	LVGEM 1866 Garden	Shenzhen Green Building Certification – Bronze Level	Housing and Construction Bureau of Shenzhen
2012	Shenzhen LVGEM Real Estate Co., Ltd.	Sixth among Shenzhen Real Estate Market Leading Enterprises	China Index Academy
2010	Shenzhen NEO Urban Commercial Complex	Top 10 Landmark Architectures in Shenzhen	Shenzhen News

INTELLECTUAL PROPERTY RIGHTS

We rely on a combination of trademarks, service marks, domain name registrations, copyright protection and contractual restrictions to establish and protect our brand name and logos, marketing designs and internet domain names.

We have registered the trademark of “綠景” and “LVGEM” and the associated logo for real estate related services and other goods and services directly or indirectly related to our business operations in Hong Kong. We have also registered the internet domain name “www.lvgem-china.com”.

We were granted the right to use all of the Zoll trademarks on a royalty-free basis according to a trademark license agreement entered between our Company and LVGEM Entity Management Group, which is a company wholly-owned by Mr. Wong Hong King and his associates, on October 26, 2015. The trademark license agreement has a term of three years ending on December 31, 2017 and is renewable upon expiry at our option. LVGEM Management Group has undertaken to renew the registration of the Zoll trademarks upon the expiry of their respective terms.

INSURANCE

We maintain a full insurance coverage for our investment properties, including the losses resulting from earthquakes. We carry social insurance for our employees in compliance with the relevant PRC rules and regulations and local practice.

According to the agreements we entered into with the general contractors, the general contractors are responsible for construction quality and safety measures during the construction process, and to maintain casualty insurance for construction workers according to the relevant PRC laws and regulations. We believe our insurance practice is in line with the customary practice in the PRC real estate industry. We closely monitor the quality and safety measures adopted on our construction sites with the construction companies to lower the risks of damages to our property and liabilities that may be attributable to us.

EMPLOYEES

We had 1,638 full-time employees as of June 30, 2017. The following table sets forth a breakdown of our employees by function as of June 30, 2017:

<u>Function</u>	<u>Number of employees</u>	<u>Percentage of total employees</u> (%)
Property management	933	57.0
Hotel operation and management	261	15.9
Project construction and management	239	14.6
Management and administration	110	6.7
Finance and audit	39	2.4
Marketing and sales	56	3.4
Total	<u>1,638</u>	<u>100.0</u>

We actively recruit skilled and qualified personnel in the local markets, including graduates from universities as well as employees with relevant working experience. For the senior management team and selected management positions, we may also seek to recruit personnel with international experience. The remuneration package of our employees includes salary, bonuses and other cash subsidies. We also maintain a share option scheme. In accordance with national and local labor and social welfare laws and regulations, we are required to pay monthly social insurance premiums covering pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing reserve funds. We believe the salaries and benefits that our employees receive are competitive with market standards in each geographic location where we conduct business.

We are also committed to the professional and personal development and growth of our employees and provide on-the-job and other training courses and programs to help our employees maintain and develop their skills and professionalism and support them in career development.

ENVIRONMENTAL AND SAFETY MATTERS

We are subject to PRC environmental protection laws and regulations. These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions and water and waste discharge. We are required to engage qualified agencies to conduct a comprehensive environmental assessment on each of our projects and to submit our environmental impact study reports to the government for approval. The PRC government will not grant us a construction permit with respect to any property project absent of an acceptable environmental impact study report. We are committed to complying with these environmental protection laws and regulations. We also actively participate in the environmental assessment process and fully cooperate with accredited environmental assessment organizations.

Pursuant to applicable laws and regulations, each of our development projects must undergo an environmental assessment and we must submit an environmental impact assessment report, along with other required documents, to the relevant government authorities for approval before the commencement of construction. Any standards specified by the relevant government authorities in the approval must be incorporated into the design, construction and operation of the project. Upon completion and before the property may be delivered to customers, each project is also inspected by the relevant government

authorities to ensure compliance with all applicable environmental standards. Our construction companies are responsible for ensuring compliance with applicable environmental laws and regulations during the construction process. We also encourage our construction companies to use equipment and facilities, and to adopt or develop new technologies, which are environmentally friendly. Under PRC laws and regulations, most of the potential liabilities to the workers and visitors of our construction sites rest with the construction contractors, including our own construction company and the construction companies we engage. Under the Construction Law, the construction contractor assumes responsibility for the safety of the construction site. The main contractor will take overall responsibility for the site, and the subcontractors are required to comply with the protective measures adopted by the main contractor. Under the Environmental and Hygienic Standards of Construction Work, a contractor is required to adopt effective occupational injury control measures, to provide workers with necessary protective devices, and to offer regular physical examinations and training to workers who are exposed to the risk of occupational injuries. See “Regulation — Labor Protection.”

LEGAL PROCEEDINGS

We are currently not a party to, and we are not aware of any threat of, any legal, arbitral or administrative proceedings, which is reasonably likely to have a material and adverse effect on our business, financial conditions or results of operations. We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business.

REGULATION

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

Set out below is a summary of certain aspects of PRC legal and regulatory provisions relating to our operations and business. These include laws and regulations relating to:

- Establishment of a Real Estate Development Enterprise
- Qualification of a Real Estate Developer
- Land for Property Development
- Sale of Commodity Properties
- Transfer of Real Estate
- Mortgages of Real Estate
- Real Estate Management
- Measures on Stabilizing Property Prices
- PRC Taxation
- Foreign Currency Exchange
- Labor Protection

ESTABLISHMENT OF A REAL ESTATE DEVELOPMENT ENTERPRISE

According to the Law on Administration of Urban Real Estate of the People's Republic of China (the "Urban Real Estate Law") (中華人民共和國城市房地產管理法) promulgated by the Standing Committee of the National People's Congress, effective on January 1, 1995, as amended on August 30, 2007 and on August 27, 2009, a real estate developer is defined as an enterprise which engages in the development and operation of real estate for the purpose of making profits. Under the Regulation on Administration of Development of Urban Real Estate (the "Development Regulation") (城市房地產開發經營管理條例) promulgated by the State Council on July 20, 1998, as amended on January 8, 2011, an enterprise which is to engage in development of real estate must satisfy the following requirements:

- its registered capital must be RMB1 million or more; and
- it must have four or more full-time professional real estate/construction technicians and two or more full-time accounting officers, each of whom must hold the relevant qualification certificate. The authorities at the provincial level, autonomous region level or municipalities under the direct administration of the central PRC government may impose more stringent requirements regarding the registered capital and professional qualifications of real estate enterprises

The local government of a province, autonomous region or municipality directly under the PRC central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a real estate developer.

To establish a real estate development enterprise, the developer must apply for registration with the administration for industry and commerce. The developer must also report its establishment to the real estate development authority in the location of its registration, 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 operation of real estate, it must also comply with the relevant requirements under the PRC laws and administrative regulations regarding foreign invested enterprises and apply for approvals relating to foreign investments in China.

Under the Catalog of Guidance on Industries for Foreign Investment (外商投資產業指導目錄) promulgated by MOFCOM and NDRC on March 10, 2015, the construction of villa falls within the category of industries in which foreign investment is prohibited and other real estate development falls within the category of industries in which foreign investment is permitted. The Catalog of Guidance on Industries for Foreign Investment was amended on June 28, 2017 and will be effective on July 28, 2017, according to which the construction of villa is removed from the category of industries in which foreign investment is prohibited and real estate development falls within the category of industries in which foreign investment is permitted.

Subject to approval by the relevant foreign investment regulatory authorities, a foreign investor intending to engage in the development and operation of real estate may establish an equity joint venture, a cooperative joint venture or a wholly foreign owned enterprise in accordance with the PRC laws and administrative regulations regarding foreign invested enterprise.

In response to the global financial crisis and in an effort to expand domestic demand, the State Council issued the Notice for Adjusting the Proportion of Capital Fund for Fixed Assets Investment (關於調整固定資產投資項目資本金比例的通知) on May 25, 2009. Under the notice, the minimum capital ratio for protected housing projects and ordinary commodity housing projects is adjusted from 35% to 20%, and the minimum capital ratio for other real estate development projects is adjusted from 35% to 30%. On September 9, 2015, the State Council promulgated the Notice on Adjusting and Improving the Capital Fund Principle for Fixed Assets Investment (關於調整和完善固定資產投資項目資本金制度的通知), according to which the minimum capital ratio for other real estate development projects is adjusted from 30% to 25%.

On July 11, 2006, the Ministry of Construction, MOFCOM, NDRC, PBOC, SAIC and SAFE promulgated the Opinions on Regulating the Entry and Administration of Foreign Investment into the Real Estate Market (關於規範房地產市場外資准入和管理的意見) (the “171 document”).

According to the 171 document, a foreign investor must comply with the following requirements in order to invest in the real estate market in China:

- A foreign entity or individual purchasing real estate in China other than for self-use shall, subject to the principle of commercial existence, apply for the establishment of a foreign-invested enterprise pursuant to the regulations relevant to foreign investment in real estate, and conduct relevant operations within the authorized business scope after obtaining approvals from the relevant government authorities and upon completion of the relevant registrations;
- If the total investment amount of a foreign-invested real estate development enterprise exceeds or equals to US\$10 million, the registered capital shall not be less than 50% of the total investment amount of the enterprise. If the total investment amount is less than US\$10 million, the current rules on registered capital shall apply;

- A transfer of projects of or shares in a foreign-invested real estate development enterprise, and the acquisition of a domestic real estate development enterprise by foreign investors shall be approved by the commerce authorities in strict compliance with the relevant laws, regulations and policies. The investor should submit: (a) a letter of guarantee pledging to abide by the land grant contract, the construction land planning permit and the construction work planning permit; (b) the land-use rights certificate; (c) the certification of a change of registration issued by the relevant construction administration authorities; and (d) the certification of tax payment issued by the relevant tax authorities; and
- Foreign investors acquiring a domestic real estate enterprise by way of equity transfer or other means, or acquiring domestic investors' equity interest in an equity joint venture, shall make proper arrangements for the real estate enterprise's employees and bank loan repayment. The foreign investors shall pay the transfer price in a lump sum and with their own capital. Foreign investors with unfavorable records are prohibited from involvement in such real estate activities in China.

On August 14, 2006, the General Office of MOFCOM issued a Notice on the Implementation of the Opinions on Regulating the Entry and Administration of Foreign Investment into the Real Estate Market (關於貫徹落實《關於規範房地產市場外資准入和管理的意見》有關問題的通知).

The notice requires that, the registered capital of a foreign invested real estate enterprise, or FIREE, shall not be less than 50% of its total investment if its total investment exceeds US\$3.0 million, and the registered capital of a FIREE shall not be less than 70% of its total investment if its total investment is US\$3.0 million or less.

On August 19, 2015, the Ministry of Housing and Urban-Rural Development, MOFCOM, NDRC, PBOC, SAIC and SAFE promulgated the Notice on Adjusting the Policies Concerning the Entry and Administration of Foreign Investment in the Real Estate Market (關於調整房地產市場外資准入和管理有關政策的通知), to adjust certain policies in 171 document, including:

- The ratio of registered capital to total investment of foreign-invested real estate enterprises should be governed by the relevant provisions of the Interim Provisions of the State Administration for Industry and Commerce on the Ratio of the Registered Capital to the Total Investment of a Sino-Foreign Equity Joint Venture Enterprise (國家工商行政管理局關於中外合資經營企業註冊資本與投資總額比例的暫行規定);
- The requirement on full payment of registered capital of the foreign-invested real estate enterprises before applying for onshore or offshore loans or foreign exchange settlement for foreign debt is cancelled; and
- The foreign-invested real estate enterprises may process relevant foreign exchange registration for foreign direct investment directly with the banks.

On September 1, 2006, SAFE and the Ministry of Construction promulgated the Notice on Regulating the Administration of Foreign Exchange in Real Estate Market (關於規範房地產市場外匯管理有關問題的通知), which sets forth the specific regulations regarding to the procedure of purchasing real estate by foreign enterprises and individuals. The notice further requests that where a FIREE fails to pay the registered capital in full amount or fails to acquire a land-use rights certificate or to make its project development capital reach 35% of the total investments of the project, it shall not borrow any foreign debt, and the foreign exchange bureau shall not accept the registration of its foreign debt or approve the conversion of foreign debt into RMB. On May 4, 2015, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Abolishing and Revising Regulatory Documents Relating to

Reform of Registered Capital Registration System (國家外匯管理局關於廢止和修改涉及註冊資本登記制度改革相關規範性文件的通知), which amended the aforesaid notice to cancel the requirement on full payment of the registered capital by a FIREE to borrow foreign debt.

When a foreign enterprise or individual merges a domestic real estate enterprise by way of equity transfer or by any other means or takes over the equity shares from the Chinese shareholder in a joint venture, if it/he fails to pay the transfer price in a lump sum with its/his own fund, the foreign exchange bureau shall not accept the registration or change registration of its/his foreign exchange.

On May 23, 2007, MOFCOM and SAFE issued the Notice on Further Strengthening and Regulating the Approval and Administration of Foreign Direct Investments in the Real Estate Industry (the “No. 50 Notice”) (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), which was amended on October 28, 2015. Under the Notice, local commercial authorities should reinforce the approval and supervision process over foreign investment in real estate enterprises, and strictly control foreign fund from investing in high quality real estate development projects. For establishment of a foreign invested real estate enterprise, land-use rights, house or other construction ownership right should be obtained, or at least has entered into pre-contract purchase agreement with the relevant land administrative authorities, land developers, or the owners of the house or other constructions, otherwise the establishment will not be approved by the authorities. For existing foreign invested company who intends to engage in real estate development or operation business or intends to engage in the operation or development of new real estate projects, they should undertake relevant procedures to expand business scope or enlarge the operation scale with the approval authority.

No. 50 Notice strictly controls the acquisition or merger of domestic real estate enterprises by means of round trip investment (includes the same de facto controller). It also prohibits Chinese or foreign investors in foreign-invested real estate joint ventures to reach any fixed return related term, or any term to the same effect, for either party.

The local MOFCOM administrative authority should make a record to MOFCOM after a foreign-invested real estate company is approved to establish. The local SAFE administrative authority and designated foreign exchange bank will not conduct foreign exchange purchase and settlement process for capital projects of FIREEs who fail to complete the record with the MOFCOM.

SAFE issued the Circular Regarding the Publication of the List of the First Batch of Foreign-Invested Property Development Projects that Have Filed with MOFCOM (“Circular No. 130”) (關於下發第一批通過商務部備案的外商投資房地產項目名單的通知) on July 10, 2007, further regulating foreign investment in real estate sector in China. According to Circular No. 130, on or after June 1, 2007, real estate enterprises with foreign investment as filed with MOFCOM (including due to establishment and capital increase) will not be permitted to borrow money from overseas, including shareholder loans and foreign commercial loans, or will not be approved to settle foreign exchange of foreign debt. Further, for those which obtain foreign investment approval certificates on or after June 1, 2007 but fail to file with MOFCOM, neither foreign exchange registration nor foreign exchange alteration registration will be effected with SAFE or its branches, and as a result, foreign exchange under capital projects will not be settled or purchased.

The Circular No. 130 was abolished on May 13, 2013 by the Notice on Distributing the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China and its Supporting 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) (“Notice No. 21”) which was promulgated by SAFE on May 10, 2013. However, the restriction measures on the foreign debt of foreign-invested real estate enterprises stipulated in the Circular No. 130 have been reflected in the Measures for the Administration of Foreign Debt Registration (外債登記管理辦法) (“Notice No. 19”) issued by SAFE on April 28, 2013, amended on April 26, 2016 and June 9, 2016.

On June 18, 2008, MOFCOM issued the Circular on Better Implementation of the Filing of Foreign Investment in the Real Estate Industry (關於做好外商投資房地產備案工作的通知) (“Circular No. 23”). According to Circular No. 23, MOFCOM entrusts provincial MOFCOM departments to verify materials on records of FIREEs. Circular No. 23 requires that the establishment (including the increase of registered capital) of a FIREE shall comply with the project company principle of engaging in one approved real estate project only.

On November 22, 2010, the General Office of MOFCOM issued the Notice on Strengthening Management to Registration of Foreign Investment in the Real Estate Sector (關於加強外商投資房地產業審批備案管理的通知). Foreign invested real estate enterprises shall not generate revenues through purchasing and selling completed real estate properties and/or real estate properties under construction. Local commerce administration authorities shall not accept registration of investment companies involving development and management of real estate.

On June 24, 2014, MOFCOM and SAFE jointly issued the Circular Regarding the Improvement of Registration of Foreign-Invested Real Estate Industry (關於改進外商投資房地產備案工作的通知), which adopts an electronic registration system to simplify the registration process and emphasizes the post-registration governance.

On November 6, 2015, the MOFCOM and SAFE jointly issued the Notice of the Ministry of Commerce and the State Administration of Foreign Exchange on Further Improving the Record-filing of Foreign Investment in Real Estate (關於進一步改進外商投資房地產備案工作的通知). The procedures for record-filing and announcement at MOFCOM’s website shall be cancelled. A foreign-invested real estate enterprise may, after completing the aforementioned processes, go through foreign exchange registration and other procedures under foreign direct investment with relevant banks pursuant to applicable regulations on foreign exchange administration.

QUALIFICATIONS OF A REAL ESTATE DEVELOPER

Under the Provisions on Administration of Qualifications of Real Estate Developers (the “Provisions on Administration of Qualifications”) (房地產開發企業資質管理規定) promulgated by the Ministry of Construction on March 29, 2000; and amended on May 4, 2015, a real estate developer must apply for registration of its qualifications according to such Provisions on Administration of Qualifications. An enterprise may not engage in property development without a qualification classification certificate for real estate development. The Ministry of Construction oversees the qualifications of real estate developers with national operations, and local real estate development authorities at or above the county level oversee the qualifications of local real estate developers. In accordance with the Provisions on Administration of Qualifications, real estate developers are classified into four classes.

- Class 1 qualifications are subject to preliminary examination by the construction authorities at the provincial level and final approval of the Ministry of Construction. A class 1 real estate developer is not restricted as to the scale of its real estate projects and may undertake a real estate development anywhere in the country; and
- Approval measures of Class 2 or lower qualifications are formulated by the construction authorities at the provincial level. A real estate developer of class 2 or lower may undertake a project with a GFA of less than 250,000 sq.m. and the specific scale is subject to confirmation by the construction authorities at the provincial level.

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

Pursuant to the Provisions on the Administration of Qualifications, the qualifications of each class of real estate developments are as follows:

- **Class 1 qualification:** (1) over five years of operating experience in real estate development is required; (2) in the past three years, the cumulative GFA completed shall be not less than 300,000 sq.m. or the required capital investment for developing corresponding GFA has been invested; (3) the passing rate of quality of construction work is 100% for five consecutive years; (4) GFA of over 150,000 sq.m. of building construction has been completed or the required capital investment for developing corresponding GFA has been invested in the previous year; (5) the professional management team shall consist of no less than 40 persons with titles and majoring in architecture, construction, finance, real estate and economics, while the number of management staff with professional titles of intermediate level or above shall be no less than 20 persons and there shall be no less than four accountants holding professional qualification certificates; (6) the person-in-charge of, among others, engineering technology, finance and statistics shall hold professional titles of the intermediate level or above; (7) there shall be a proper quality control system in place, and in respect of the sale of commodity residential property, the systems of Residential Quality Guarantee and Residential User Manual shall be implemented; and (8) there shall not be any occurrence of any major accident relating to construction quality;
- **Class 2 qualification:** (1) over three years of operating experience in real estate development is required; (2) in the past three years, the cumulative GFA completed shall be not less than 150,000 sq.m. or the required capital investment for developing corresponding GFA has been invested; (3) the passing rate of quality of construction work is 100% for three consecutive years; (4) GFA of over 100,000 sq.m. of building construction has been completed or the required capital investment for developing corresponding GFA has been invested in the previous year; (5) the professional management team shall consist of no less than 20 persons with titles and majoring in architecture, construction, finance, real estate and economics, while the number of management staff with professional titles of intermediate level or above shall be no less than 10 persons and there shall be no less than three accountants holding professional qualification certificates; (6) the person-in-charge of, among others, engineering technology, finance and statistics shall hold professional titles of the intermediate level or above; (7) there shall be a proper quality control system in place, and in respect of the sale of commodity residential property, the systems of Residential Quality Guarantee and Residential User Manual shall be implemented; and (8) there shall not be any occurrence of any major accident relating to construction quality;
- **Class 3 qualification:** (1) over two years of operating experience in real estate development is required; (2) the cumulative GFA completed shall be not less than 50,000 sq.m. or the required capital investment for developing corresponding GFA has been invested; (3) the passing rate of quality of construction work is 100% for two consecutive years; (4) the professional management team shall consist of no less than 10 persons with titles and majoring

in architecture, construction, finance, real estate and economics, and the number of management staff with professional titles of intermediate level or above shall be no less than five persons and there shall be no less than two accountants holding professional qualification certificates; (5) the person-in-charge of, among others, engineering technology and finance shall hold professional titles of the intermediate level or above and the person in charge of other departments, including statistics, shall hold professional titles of the primary level or above; (6) there shall be a proper quality control system in place, and in respect of the sale of commodity residential property, the systems of Residential Quality Guarantee and Residential User Manual shall be implemented; and (7) there shall not be any occurrence of any major accident relating to construction quality; and

- **Class 4 qualification:** (1) over one year of operating experience in real estate development is required; (2) the passing rate of quality of construction work completed shall be 100%; (3) the professional management team shall consist of no less than five persons with titles and majoring in architecture, construction, finance, real estate and economics, and there shall be no less than two accountants holding professional qualification certificates; (4) the person-in-charge of engineering technology shall hold professional titles of the intermediate level or above and the person-in-charge for finance shall hold professional titles of the primary level or above, and professional statistician(s) shall be appointed; (5) in respect of the sale of commodity residential property, the systems of Residential Quality Guarantee and Residential User Manual shall be implemented; and (6) there shall not be any occurrence of any major accident relating to construction quality.

In addition, pursuant to the Provisions on Administration of Qualifications, a newly-established real estate developer shall make application with the competent authorities for an interim qualification certificate within 30 days from the date of the business license. A developer applying for an interim qualification certificate shall fulfill the requirements of class 4 qualification or above. The validity period of the certificate is one year. Regulatory authorities of real estate development may extend the validity of the interim qualification certificate depending on the operation of the developer, provided that the extension shall not exceed two years. In the event that no development project has been carried out within one year since the issuance date of the interim qualification certificate, the validity of the interim qualification certificate shall not be extended.

No entity or individual may alter, lease, lend, transfer or sell its/his qualification certificate. In case of merger, division or any change of name, legal representative or main personnel in charge of management and technologies, enterprises shall re-apply for qualification grade or apply for change formalities with the original examination and approval authorities.

The qualification of a property developer should be subject to annual inspection. The Ministry of Construction or its entrusted institution is responsible for carrying out the annual inspection of real estate developers with Class 1 qualification. The construction authorities at the provincial level formulate annual inspection measures for real estate developers with Class 2 or lower qualifications.

DEVELOPMENT OF A REAL ESTATE PROJECT

In October 2004, the NDRC issued the Interim Provisions on Approving Foreign Investment Projects (外商投資項目核准暫行管理辦法), according to which, approval of the NDRC or its branches shall be required for foreign investment projects. The Administrative Measures for Approval and Record-filing of Foreign Investment Projects (外商投資項目核准和備案管理辦法), which supersedes the Interim Provisions on Approving Foreign Investment Projects, was promulgated by the NDRC on May 17, 2014 and was amended on December 27, 2014.

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

Under the Interim Regulation Concerning the Grant and Assignment of the Right to Use State-owned Urban Land (the “Interim Regulation on Grant and Assignment”) (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) promulgated by the State Council on May 19, 1990, China adopted a system to grant and assign the right to use state-owned land. A land user must pay a land premium to the state as consideration for the grant of the right to use a land site within a specified period of time, and the land user may assign, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the Urban Real Estate Law and the Interim Regulation on Grant and Assignment, the land administration authority at the city or county level may enter into a land grant contract with the land user to provide for the grant of land use rights. The land user must pay the land premium as provided by the land grant contract. After payment in full of the land premium, the land user may register with the land administration authority and obtain a land-use rights certificate which evidences the acquisition of land use rights. The Urban Real Estate Law and the Development Regulation provide that land use rights for a site intended for real estate development must be obtained through grant except for land use rights which may be obtained through premium-free allocation by the PRC government pursuant to the PRC laws or the stipulations of the State Council. Government-allocated land is not allowed to be transferred unless the transfer is approved by the relevant PRC government authorities and the land premium as determined by the relevant PRC government authorities has been paid.

At the stages of examination, approval and record-filing of any construction project, the construction or the developer entity must make a preliminary application for construction on the relevant site to the relevant land administration authority in accordance with the Measures for Administration of Examination and Approval for Construction Land (建設用地審查報批管理辦法) promulgated by the Ministry of Land and Resources on March 2, 1999, as amended on November 30, 2010 and on November 29, 2016, and the Measures for Administration of Preliminary Examination of Construction Project Land promulgated by the Ministry of Land and Resources (建設項目用地預審管理辦法) in July 2001, as amended in October 2004, November 2008 and November 2016. After receiving the preliminary application, the land administration authority will carry out preliminary examinations of various aspects of the construction project in compliance with the overall zoning plans and land supply policy of the government, and will issue a preliminary approval in respect of the project site if its examination proves satisfactory. The land administration authority at the relevant city or county will sign a land grant contract with the land user and issue an approval for the construction land to the construction entity or the developer.

According to the Urban Real Estate Law, a land user who obtains land use rights under the grant system must develop the land according to the land usage as indicated in the land grant contract and must commence the development within the time frame agreed to under the land grant contract.

According to the Regulation on Idle Land Administration (閒置土地處置辦法) promulgated by the Ministry of Land and Resources on April 28, 1999, as amended on June 1, 2012, it shall be idle land which the land user fails to commence developing after one year from the construction commencement date stipulated in the state-owned construction land grant contract or in the approval of premium-free allocation. The land may also be treated as idle land and may be subject to land idle fee or forfeiture, if the developed land area is less than one-third of the total land area under the land grant contract or the sum already expended on the development of the land is less than one-fourth of the total investment of the project, and the suspension of development of the land has lasted for one year or more.

According to the Regulation on Idle Land Administration, if the land user fails to commence developing the land after one year from the construction commencement date, then the local land administration authority, with approval by the local government, shall charge the land user a “land idle fee” of 20% of the land premium, which is not permitted to be disbursed from the cost. If the land user fails to commence development of the relevant land after two years from the deadline, with approval by the local government, the land user’s land-use rights shall be forfeited by local land administration authority without compensation. 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. Where the land user reserves or speculates lands on purpose by violating laws or regulations, or breaching contractual obligations or land allotment letter, the local land administration authority shall not accept its new land-use application or registration of transfer, lease, charge and change of its idle land. Relevant local land-use administration departments shall inform finance administration departments of the information of idle land.

On January 3, 2008, the State Council issued a Notice on Promoting Economization of Land Use (關於促進節約集約用地的通知), which urges the full and effective use of existing construction land. The notice also emphasizes the strict enforcement of the current rules on idle land. If a piece of land has been idled for two years or more, it must be taken back free of charge in accordance with laws and regulations, and rearranged for any other uses; if the land does not meet the statutory conditions for being taken back, it must be timely dealt with and fully used through changing usage, replacement by parity value, temporary usage or incorporation into government reserves. If a piece of land has been idled for one year or more but less than two years, an idle land fee must be collected at a price of 20% of the transfer or allotment price. Financial institutions shall not grant loans to illegal land-use projects and such projects shall not be approved for public listing.

Under the Measures for Control and Administration of Grant and Assignment of Right to Use Urban State-owned Land (城市國有土地使用權出讓轉讓規劃管理辦法) promulgated by the Ministry of Construction on December 4, 1992, as amended on January 26, 2011, and the Notice on Strengthening the Planning Administration of the Assignment 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 by the Ministry of Construction on December 26, 2002, the grantee under a land grant contract, i.e. a real estate developer, must further apply for a permit for construction site planning from the relevant municipal planning authority. After obtaining such permit, a real estate developer will organize the necessary planning and design work. Planning and design proposals in respect of a real estate development project are again subject to relevant reporting and approval procedures required under the Law of the People’s Republic of China on Urban and Rural Planning (中華人民共和國城鄉規劃法) promulgated by the Standing Committee of the National People’s Congress on October 28, 2007, effective from January 1, 2008 and amended on April 24, 2015, and local statutes on municipal planning. Upon approval by the authorities, a permit for construction works planning will be issued by the relevant municipal planning authority. According to the Law of the People’s Republic of China on Urban and Rural Planning, a construction entity shall return the land or compensate relevant parties if it gets the approval of land-use right without a permit for construction works planning. Such

land-use right approval shall be forfeited by the relevant authority. If a construction entity starts a project construction without obtaining a planning permit or violates the provisions of the planning permit, it will be punished by local planning administration authorities by way of stopping construction, imposing a fine based on construction costs or removing the completed construction.

In accordance with the Shenzhen Urban Planning Standards and Guidelines (深圳市城市規劃標準與準則) promulgated by the People's Government of Shenzhen on March 25, 2004 and implemented on April 1, 2004, the residential district, residential quarter and residential cluster shall be equipped with commercial facilities commensurate with the size of its resident population. On January 1, 2014, the People's Government of Shenzhen promulgated the new Shenzhen Urban Planning Standards and Guidelines, which stated that the residential land could be equipped with commercial facilities and other auxiliary facilities. According to the Administrative Regulation of Shenzhen Municipality on the Planning and Construction of Parking-Lots and the Parking of Motor Vehicles (深圳市停車場規劃建設和機動車停放管理條例) promulgated by the Standing Committee of the Shenzhen Municipal People's Congress on October 20, 2003, as amended on July 29, 2004, which required that the newly constructed, reconstructed or expanded buildings shall be equipped with parking-lot according to the standards. It also stated that the management unit of parking-lot may apply for the Shenzhen Operational Car Parking Permits to establish an operational car parking and provide compensated parking services.

In accordance with the Regulations for the Administration of Demolishment and Relocation of Urban Housing (城市房屋拆遷管理條例) promulgated by the State Council in June 2001, where a house is to be demolished, the demolisher shall conclude an agreement for compensation and resettlement on demolition and relocation with the relocatee and the lessee of the house (if any). The demolisher shall give subsidies for removal to the relocatee or the lessee of the house, and during the transition period, the demolisher shall give subsidies for temporary resettlement or provide houses for transitional use.

The Regulations for the Administration of Demolishment and Removal of Urban Housing was abolished on January 21, 2011 by the Regulation on the Expropriation of Buildings on State-owned Land and Compensation (國有土地上房屋徵收與補償條例) which was promulgated by the State Council on January 21, 2011. According to the Regulation on the Expropriation of Buildings on State-owned Land and Compensation, local government shall decide expropriation of buildings based on public interests. Construction entities shall be prohibited from participating in relocation activities.

When the site has been properly prepared and is ready for the commencement of construction works, the developer must apply for a permit for commencement of works from the construction authorities at or above the county level according to the Measures for Administration of Granting Permission for Commencement of Construction Works (建築工程施工許可管理辦法) promulgated by the Ministry of Construction on October 15, 1999, as amended on July 4, 2001. The Measures for Administration of Granting Permission for Commencement of Construction Works (建築工程施工許可管理辦法) promulgated by the Ministry of Housing and Urban-Rural Development in June 2014, supersedes the Measures on Construction Permission and has the similar requirements.

The development of a real estate project must comply with various laws and legal requirements on construction quality, safety standards and technical guidance on architecture, design and construction work, as well as provisions of the relevant contracts. On January 30, 2000, the State Council promulgated and implemented the Regulation on the Quality Management of Construction Projects (建設工程質量管理條例), which sets out the respective quality responsibilities and liabilities for developers, construction companies, exploration companies, design companies and construction supervision companies. After completion of construction works for a project, the real estate developer must organize an acceptance examination by relevant government authorities and experts according to the Development Regulation and

the Interim Provisions on Inspection Upon Completion of Buildings and Municipal Infrastructure (房屋建築工程和市政基礎設施工程竣工驗收暫行規定) promulgated by the Ministry of Construction on June 30, 2000. The Provisions on Inspection Upon Completion of Buildings and Municipal Infrastructure (房屋建築和市政基礎設施工程竣工驗收規定) promulgated by the Ministry of Housing and Urban-Rural Development in December 2013, supersedes the Acceptance Examination Measures and has the similar requirements. The developer must also report details of the acceptance examination according to the 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 on April 4, 2000, as amended on October 19, 2009. A real estate development project may not be delivered until and unless it has satisfactorily passed the necessary acceptance examination. Where a property project is developed in phases, an acceptance examination may be carried out for each completed phase.

There are several laws and regulations regulating environment protection in the real estate industry in the PRC, including Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise (中華人民共和國環境噪聲污染防治法), Law of the People's Republic of China on Appraising of Environment Impacts (中華人民共和國環境影響評價法), Regulation of Environment Protection in Construction Projects (建設項目環境保護管理條例), Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the People's Republic of China (中華人民共和國固體廢物污染環境防治法) and Decision of the State Council on Several Issues Concerning Environmental Protection (國務院關於環境保護若干問題的決定). According to such laws and regulations, a real estate developer shall submit a report of environmental impacts before receiving approval from relevant authority to start the construction. A construction enterprise shall, upon completion of a construction project, file an application with the competent department of environmental protection administration for acceptance checks on completion of matching construction of environmental protection facilities required for the construction project.

There are several laws and regulations in the PRC regarding to the civil air defense project construction, including Law of the People's Republic of China on National Defense (中華人民共和國國防法), Civil Air Defense Law of the People's Republic of China (中華人民共和國人民防空法), Property Law of the People's Republic of China (中華人民共和國物權法) and Measures of the Development and Utilization of Civil Air Defense Construction during the peacetime (人民防空工程平時開發利用管理辦法). According to such laws and regulations, basements that will be used for air defense in time of war shall be constructed in new buildings of cities for civil use. If any construction project cannot have basements due to any geological reason, fees for substitute site construction shall be paid. Investors of air defense construction shall be entitle to any benefits generated from its usage and shall manage such construction in the peacetime. Civil use of air defense construction shall be registered in relevant air defense authority.

Several laws and regulations specific fire protection in real estate development, including Fire Protection Law of the People's Republic of China (中華人民共和國消防法) and Provisions of Supervision and Management of Fire Protection Construction (建設工程消防監督管理規定). According to such laws and regulations, a real estate project shall get approval from or filing with relevant public security and fire protection authorities for fire protection design before the construction is started and subject to a fire protection as-built acceptance inspection.

LAND FOR PROPERTY DEVELOPMENT

In April 1988, the National People's Congress amended the Constitution of the People's Republic of China (中華人民共和國憲法) to permit the transfer of land-use rights for value. And in December 1988, the Standing Committee of the National People's Congress amended the Land Administration Law (中華人民共和國土地管理法) to permit the transfer of land-use rights for value.

On May 19, 1990, the State Council issued the Interim Regulation on Grant and Assignment of Right to the Use of State-owned land in Urban Areas (城鎮國有土地使用權出讓和轉讓暫行條例), which prescribes different maximum terms of granted land-use rights for different uses of land as follows: (i) land for commerce, tourism and entertainment: 40 years; (ii) land for residence: 70 years; (iii) land for industry: 50 years; (iv) land for education, science, technology, culture, public health and sports: 50 years; and (v) land for comprehensive utilization or other purposes: 50 years. The State may not resume possession of lawfully granted land-use rights prior to expiration of the term of grant. If the public interest requires the resumption of possession by the State under special circumstances during the term of grant, compensation must be paid by the State. Subject to compliance with the terms of the land grant contract, a holder of land-use rights may exercise substantially the same rights as a land owner during the grant term, including holding, leasing, transferring, mortgaging and developing the land for sale or lease. Upon paying in full the land grant fee pursuant to the terms of the contract, the grantee may apply to the relevant land reserves bureau for issuance of the land-use rights certificate. Upon expiration of the term of grant, renewal is possible subject to the execution of a new contract for the grant of land-use rights and payment of a new land grant fee. If the term of the grant is not renewed, the land-use rights and ownership of any buildings on the land will revert to the State without compensation.

Individuals and entities may acquire land-use rights in different ways, two of which are most important, i.e. land transfers from land users who have already obtained land-use rights and land grants from local land authorities.

Real estate development companies may acquire land-use rights from land users that have already obtained the land-use rights by entering into a land assignment contract or by way of capital contribution. Under the Land Administration Law, any change to be lawfully made in land-use rights shall be registered.

As to the land grants, on May 9, 2002, the Ministry of Land and Resources promulgated the Rules Regarding the Grant of State-Owned Construction Land-Use Rights By Way of Tender, Auction and Listing-For-Sale (the "Rules") (招標拍賣掛牌出讓國有建設用地使用權規定), which was implemented on July 1, 2002 and was amended on September 28, 2007. Pursuant to the Rules, all land for commercial use, tourism, entertainment and commodity residential housing must be granted by way of tender, auction or listing for sale.

On June 11, 2003, the Ministry of Land and Resources promulgated the Regulation on Grant of State-owned Land Use Rights by Agreements (協議出讓國有土地使用權規定), which provided that, other than through public tender, auction and listing-for-sale according to laws, land use rights may be granted via transfer agreements, and the land premium for the transfer agreements of the state-owned land use right shall not be lower than the lowest price specified by the regulations.

On September 24, 2003, the Ministry of Land and Resources promulgated the Notice on Strengthening the Land Supply Management and Facilitating the Continuous and Healthy Development of Property 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), as amended on December 3, 2010, which provides that land supply for luxury commodity housing shall be strictly controlled.

According to the Opinions on Certain Issues Relating to Voluntary Examination and Rectifying of Land Market (關於進一步治理整頓土地市場秩序中自查自糾若干問題的處理意見) promulgated by Ministry of Land and Resources on October 13, 2003, land must be restored to its original use if the development of such land fails to comply with the overall land-use requirements, unless such land has been developed for construction and restoration is impossible to achieve, in which case the overall land-use requirements shall be modified so the respective amount of basic farmland, cultivated land and land for building will remain unchanged. Similarly, restoration of land to farmland or to its original use is required when a land development project lacks construction feasibility or is short of project funding, even though a proper approval is in place. Idle land that has been supplied for construction purposes shall be disposed of according to relevant stipulation governing idle land. However, exceptions are allowed when pre-approval has been granted by local authorities, or if a project development contract has been executed and between local authorities and developers prior to July 1, 2002. On March 18, 2004, the Ministry of Land and Resources together with the Ministry of Supervision promulgated the Notice of Enforcing and Supervising the Transfer of Operative Land-Use Rights Through Tenders, Bidding and Public Auction (關於繼續開展經營性土地使用權招標拍賣掛牌出讓情況執法監察工作的通知), which expressly required that after August 31, 2004, no transfer of land-use rights will be allowed in the form of agreement.

On October 22, 2004, the People's Government of Shenzhen promulgated the Interim Provisions on Renovation of Villages in the City (Old Villages) (深圳市城中村(舊村)改造暫行規定), under which the existing stock cooperation enterprises of the villages in the city may cooperate with the entities on the village renovation upon obtaining the consent from the governments at county level. On October 22, 2009, the People's Government of Shenzhen promulgated the Measures on City Renewal (深圳市城市更新辦法), as amended on November 12, 2016, stating that implementation entities of the renewal projects with type of demolition and reconstruction, shall enter into supplemental land grant contracts or land grant contracts with Shenzhen Planning and Land Resources Bureau after obtaining planning permit for such renewal projects.

On December 29, 2016, the General Office of the People's Government of Shenzhen promulgated the Notice on strengthening and improving the interim measure of urban renewal implementation (關於加強和改進城市更新實施工作暫行措施的通知), stating that each district government shall regularly clean up the urban renewal plan, and the project with one of the following situations may be removed from the renewal plan according to the procedure: 1. the verification of the land and buildings information and the approval of the urban renewal unit planning have not been completed within 1 year from the date of the announcement of the urban renewal plan; 2. the implementation entity has not been confirmed for the first phase of the project within 2 years from the approval date of the urban renewal unit planning; 3. the land grant procedures has not been completed within 1 year from the date of implementation entity confirmation.

On November 18, 2009, the Ministry of Finance, Ministry of Land and Resources, PBOC, the Ministry of Supervision of the PRC and the National Audit Office of the PRC jointly issued a Notice on Further Strengthen the Management of Revenue and Expenditure from Land Granting (關於進一步加強土地出讓收支管理的通知), to require a minimum down payment of 50% of the land premium relating to land purchases from the PRC government. The notice also provides that the installment period stipulated in the relevant land grant contracts may not exceed one year, provided that, for special projects, upon collective approval by the relevant government authorities, the installment period stipulated in the relevant land grant contracts can be two years. Developers will not be permitted to buy new land if they fail to pay off such land premium in time. The new rules also forbid local governments from giving discounts to developers or allowing developers to delay payments except as stipulated by the State Council.

On March 8, 2010, the Ministry of Land and Resource of the PRC issued the Notice on Several Issues concerning the Reinforcement on Provision and Supervision over the Land-Use for Property Development (關於加強房地產用地供應和監管有關問題的通知), which shortens the time for payment of the land price by successful bidder of land. On April 17, 2010, the State Council issued the Notice on Resolutely Curbing

the Rise of Housing Prices in Certain Cities (關於堅決遏制部分城市房價過快上漲的通知), according to which, when real estate development enterprises participate in the auction, development and construction of land, their shareholders shall not provide loans, lending, guarantee or other relevant financing activities to them in violation of regulations.

On September 21, 2010, the Ministry of Land and Resources and the Ministry of Construction issued the Notice on Further Strengthening the Control of Land Transfer (關於進一步加強房地產用地和建設管理調控的通知) regarding land authorities to prohibit real estate developers and their controlling shareholders who have engaged in illegal activities (such as obtaining land-use rights through fraudulent means, transferring land-use rights improperly, holding land which has been idled for more than one year due to the fault of the developer or the controlling shareholders) from participating in land bidding process until the illegal activities have been rectified.

On January 26, 2011, the State Council issued the Notice on Issues Relating to Further Regulating the Control of Property Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知) which specifies that if a real estate developer fails to obtain the construction permits or fails to commence the construction within two years from the designation of land for real estate development, the granted land-use rights will be forfeited and an idle land penalty will be imposed. A real estate developer is further restricted from transferring land and real estate development projects if the amount of real estate development investment (excluding the land grant fee) incurred is less than 25% of the total investment amount in respect of the subject project. The Ministry of Land and Resources issued the Notice of Diligently Carrying Out Real Estate Land-Use Management and Regulation (關於做好2012年房地產用地管理和調控重點工作的通知) on February 15, 2012, requiring land users to submit written reports to land and resources departments at the time of or prior to project commencement and completion.

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 on April 4, 2001, sale of commodity properties can include both sales before the completion of the properties (the “pre-sale”) and sales after the completion of the properties (the “post-completion sale”). Commodity buildings may be put to post-completion sale after they have passed the clearance examination and satisfied the various preconditions for such sale. Before the post-completion sale of a commodity building, the developer must, among other things, submit the real estate development project manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the real estate development authority for its record.

Any pre-sale of commodity buildings must be conducted in accordance with the Measures for Administration of Pre-sale of Urban Commodity Buildings (the “Pre-sale Measures”) (城市商品房預售管理辦法) promulgated by the Ministry of Construction in November 1994, as amended in August 2001 and in July 2004, and the Development Regulation. The Pre-sale Measures provide that any pre-sale of commodity buildings is subject to specified procedures. According to the Development Regulation and the Pre-sale Measures, a pre-sale permit must be in place before a commodity building may be put to pre-sale. Specifically, a developer intending to sell a commodity building before its completion must apply to the real estate development authority for a permit for pre-sale. A commodity building may be sold before completion only if:

- the purchase price has been paid in full for the grant of the land-use rights involved and a land-use rights certificate has been properly obtained;
- a permit for construction works planning and a permit for commencement of works have been properly obtained;
- the funds invested in the development of the commodity buildings put to pre-sale represent 25% or more of the total investment in the project and the progress of works and the completion and delivery dates have been properly ascertained;

- a permit for pre-sale of commodity buildings has been obtained through pre-sale registration; and
- the proceeds of pre-sale of commodity buildings must be used to the relevant project construction.

According to the Measures for Administration of Sale of Commodity Properties (商品房銷售管理辦法), the real estate developer shall not sell commodity properties by means of rebated sale or any such means in disguised forms. The real estate developer may not sell uncompleted commodity properties by the after-sale lease guarantee or by any such means in disguised forms.

According to the Notice on Promoting the Stable and Sound Development of the Real Estate Market (關於促進房地產市場平穩健康發展的通知) promulgated by the General Office of the State Council on January 7, 2010, local governments shall decide the minimum scale of pre-sales rationally based on local practice and may not issue separate pre-sale permits by floor or unit.

On April 13, 2010, the MOHURD issued the Notice on Further Regulating the Real Estate Market and Improving the Commodity Housing Pre-sale System (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知), which set forth certain measures to enhance the regulation of pre-sales of commodity housing. Real estate developers are strictly prohibited from pre-selling commodity housing without obtaining pre-sale permits. Within 10 days after obtaining the relevant pre-sale permits, real estate developers are required to make a public announcement on all information relating to the units available for pre-sale and the price of each unit.

As to the post-completion sale, commodity properties may be put up for post-completion sale only when the preconditions for such sale have been satisfied. Under the Measures for Administration of Sale of Commodity Properties (商品房銷售管理辦法), the sale of commodity properties after the completion shall meet the following conditions:

- the real estate developer has a business license and a qualification certificate for real estate development;
- the land-use right certificates or approval documents of land using have been obtained;
- the construction planning permit and the construction commencement permit have been obtained;
- the commodity properties have been completed, inspected and accepted;
- the relocation of the residents has been completed;
- the supplementary essential facilities such as the supply of water, electricity, heating and gas, and communications are ready for use, and other public facilities are ready for use or the schedule of construction and delivery date of such facilities have been specified; and
- the property management plan has been confirmed

The Provision on Sales of Commodity Properties at Clearly Marked Price (商品房銷售明碼標價規定) was promulgated by the NDRC on March 16, 2011. According to the provision, any real estate developer or real estate agency (“real estate operators”) is required to mark the selling price explicitly and clearly for both newly-build and second-hand commodity properties. The provision requires real estate operators to clearly indicate the prices and relevant fees of commodity properties, as well as other factors affecting the prices of commodity properties to the public. With respect to the real estate operators that

have received property pre-sale permit or have completed the filing procedures for the sales of completed properties, real estate operators shall announce all the commodity properties available for sale in a lump within the specified time limit. Furthermore, with regard to a property that has been sold out, real estate operators are obliged to disclose such information and to disclose the actual transaction price. Real estate operators cannot sell commodity properties with price higher than the explicit marked price or charge any other fees which has not been explicitly marked. Moreover, real estate operators may neither mislead purchasers with false or irregular price marking, nor engage in price fraud by using false or misleading price marking methods.

TRANSFER OF REAL ESTATE

According to the Urban Real Estate Law and the Provisions on Administration of Transfer of Urban Real Estate (城市房地產轉讓管理規定) promulgated by the Ministry of Construction on August 7, 1995, as amended on August 15, 2001, a real estate owner may sell, bequeath or otherwise legally transfer real estate to another person or legal entity. When transferring a building, the ownership of the building and the land-use rights to the site on which the building is situated are transferred together. The parties to a transfer must 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 real estate within 90 days of the execution of the transfer contract.

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

- the land premium has been paid in full for the grant of the land-use rights as provided by the land grant contract and a land-use right certificate has been properly obtained; 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 made available, and the site has been leveled and made ready for industrial or other construction purposes; or
- in case of where the real property has been completed in construction, the property ownership certificate shall have been obtained.

If the land-use rights were originally obtained by grant, the term of the land-use rights after transfer of the real estate will be the remaining portion of the original term provided in the land grant contract after deducting the time that has been used by the former land users. In the event that the assignee intends to change the use of the land provided in the original grant contract, consent must first be obtained from the original land-use rights grantor and the planning administration authority at the relevant city or county and an agreement to amend the land grant contract or a new land grant contract must be signed in order to, inter alia, change the use of the land and adjust the land premium accordingly.

If the land-use rights were originally obtained by allocation, such allocation may be changed to land-use rights grant if approved by the government vested with the necessary approval power as required by the State Council. After the government authorities vested with the necessary approval power approve such change, the grantee must complete the formalities for the grant of the land-use rights and pay the land premium according to the relevant statutes.

LEASES OF BUILDINGS

The National People's Congress promulgated the Contract Law of the People's Republic of China (中華人民共和國合同法) (the "Contract Law") on March 15, 1999, which takes effect from October 1, 1999. The Contract Law defines a leasing contract as a contract whereby the lesser delivers to the lessee the lease item for it to use or accrue benefit from, and the lessee pays the rent.

The lease term may not exceed 20 years. If the lease term exceeds 20 years, the portion of the lease term beyond the initial twenty year period is invalid. At the end of the lease term, the parties may renew the lease, provided that the renewed term may not exceed 20 years commencing on the date of renewal. Where the lease term is six months or longer, the lease shall be in writing. If the parties fail to adopt a writing form, the lease is deemed an indefinite lease.

Under the Urban Real Estate Law and the Measures for Administration of Leases of Commodity Buildings (商品房屋租賃管理辦法) promulgated by the MOHURD on December 1, 2010, being effective from February 1, 2011, parties to a lease of a building must enter into a lease contract. China has adopted a system to register the leases of real properties. When a lease contract is signed, amended or terminated, the parties must register the details with the real estate administration authority at the city or county in which the building is situated.

MORTGAGES OF REAL ESTATE

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

PBOC issued a 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) on June 5, 2003 to tighten the requirements for banks to provide loans for the real property business as follows:

- Property development loans may be granted to property developers who are qualified for property development, rank high in credibility and have no overdue payment for construction. Such loans shall be given in full support of residential housing projects which conform to the purchasing capacity of families with medium-to-low income, and shall be property restricted

where projects involve building properties of large size and/or cover large area, such as luxury commodity houses and villas. For property developers with commodity properties of high vacancy rate and debt ratio, strict approval procedures must be applied for their new property development loans and their activities must also be subject to close monitoring;

- Commercial banks may not grant loans to property developers without a “land-use rights certificate,” “construction land planning permit,” “construction work planning permit” and “construction work commencement permit.”;
- While property developers apply for bank loans, their own capital, i.e. owner’s equity, shall not be less than 30% of the total investment required for the project. Commercial banks are prohibited from lending to property developers solely for the payment of land premiums. A loan for real estate development made by a commercial bank may only be used for a local real estate development project, and shall not be used in a cross-region way;
- Commercial banks may only provide housing loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for individual home loans for his first residential unit, the down-payment by the borrower remains to be 20%. In respect of his loan application for additional purchase of residential unit(s), the percentage of the down-payment by the borrower should be approximately increased;
- When a borrower applies for a mortgage loan for an individual commercial use building, the mortgage ratio may not be more than 60%. In addition, the term of loan may not be more than 10 years and the commodity building must be duly completed and accepted after the relevant governmental inspection; and
- The down-payment requirement was subsequently increased to 30% of the property price for residential units with a unit floor area (套型建築面積) of 90 sq.m. or more, effective on June 1, 2006. See “— Measures on Stabilizing Property Prices” below.

In a Circular on Facilitating the Continuous and 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 on August 12, 2003, a series of measures were adopted by the government to control the property market. They included, among others, strengthening the construction and management of low-cost affordable houses, increasing the supply of ordinary commodity residential houses and controlling the construction of high quality commodity houses. Besides, the government also staged a series of measures on the lending for residential development.

They included, among others, strengthen efforts in housing provident fund collection and the granting of loans, improving the guarantee mechanism of individual home loans and strengthening the monitoring over property loans. It is expected that the circular will have a positive effect on the development of the PRC property market in the long run by facilitating a continuously healthy growth of the property market in China.

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 CBRC on August 30, 2004, commercial banks may not provide any loan in any form for a project without the land-use rights certificate, construction land-use planning permit, construction work planning permit and construction work commencement permit. Any property developer applying for property development loans must have invested at least 35% of capital required for the development and a commercial bank should maintain a strict project approval mechanism for processing applications for property development loans.

Under the Notice of the PBOC 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 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 General Office of the State Council issued an opinion developed by the Ministry of Construction (and relevant departments) on Adjustment of Housing Supply Structure and Stabilization of Property Prices (關於調整住房供應結構穩定住房價格的意見). According to the opinion, in order to curtail the rapid rise in property prices, from June 1, 2006, the minimum amount of down payment for individual housing shall not be less than 30%. However, considering the housing needs of low-and middle-income earners, the minimum down payment for self-occupied housing with a GFA of less than 90 sq.m. per unit remains unchanged, and shall not be less than 20%.

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

- prohibiting commercial banks from lending to projects with an internal capital ratio (owners' equity) of less than 35%, or without a land-use rights certificate, construction land-use planning permit, construction planning permit and a construction permit;
- prohibiting commercial banks from lending to property developers solely for the payment of land premiums;
- for commodity properties that has been vacant for three years, a commercial bank shall not accept them as collateral for a loan. In principle, a loan for real estate development made by a commercial bank may only be used for a local real estate development project, and shall not be used in a project of different location. For a loan, the use of which is really needed in a non-local real estate development project and for which the relevant risk control measures have been implemented, a commercial bank shall report on it to the regulatory authority for archival purposes before the loan is made;
- requiring banks to support funding needs of borrower purchasing their first small and medium self-occupied flat, and to grant loans only to individuals who have purchased flats the main structure of which have been topped out;
- the minimum down payment for a first unit of self-occupied flat with a GFA of less than 90 sq.m. per unit shall not be less than 20%. The minimum amount of down payment for a first unit of self-occupied flat with a GFA of over 90 sq.m. per unit shall not be less than 30%. The minimum down payment for the second unit or more payable by an individual who has obtained a mortgage to purchase the first flat shall not be less than 40%, the loan interest rate shall not be less than 1.1 times the prevailing basis rate issued by PBOC, and the minimum amount of down payment and interest rate shall significantly increase with the number of flats purchased; and
- commercial properties purchase by loans shall have been completed and passed completion acceptance inspection; and for commercial properties, the minimum down payment shall not be less than 50%, the loan term shall not exceed 10 years and the loan interest rate shall not be less than 1.1 times the prevailing basis rate issued by PBOC. For combined commercial and

residential properties, the minimum down payment shall not be less than 45% and the term and interest rate shall be determined according to the administrative regulations of commercial property loans.

According to the Supplementary Notice of the PBOC and CBRC on Strengthening the Administration of Commercial Real Estate Credit Loans (關於加強商業性房地產信貸管理的補充通知) issued on December 5, 2007, the number of loans granted to a borrower shall be determined on the basis of loans granted to the borrower's family (including the borrower, his/her spouse and his/her underage children).

According to the requirement under a notice issued by PBOC and CBRC on Promoting Economical and Intensive Utilization of Land Through Financing (關於金融促進節約集約用地的通知) on July 29, 2008, when the land and resource authority confirms that a developer has only developed less than 1/3 of the whole area or has only invested less than 1/4 of the total investment after the lapse of one full year from the date of commencing the construction of a real estate project as stipulated in the land transfer contract, a financial institution shall be prudent in granting loans to it and rigidly control extended loans or rolling credits to it. When the land and resource authority confirms that the construction use land for a real estate project has been idled for two years or longer, it is prohibited to grant any loan a real estate development for the given project or other loans with the construction use land of such project as collateral (including the asset protection business).

On October 22, 2008, PBOC promulgated the Notice on Several Issues Regarding the Expansion of Downward Floating Interest Rate for Commercial Individual Housing Loans (關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知), which provides that, effective from October 27, 2008, the float-down range for interest rate for individual residential mortgage loans is expanded and the ratio of down payments is adjusted. As a result, the minimum interest rate for individual residential mortgage loans is 70% of the benchmark loan interest rate and the minimum down payment ratio is adjusted to 20%.

On December 20, 2008, the General Office of the State Council issued the Opinion on Promoting the Healthy Development of Real Estate Market (國務院辦公廳關於促進房地產市場健康發展的若干意見). The opinion provides that in order to expand domestic demand and encourage purchase of ordinary residential housing, residents who purchase ordinary self occupied housing for the first-time by borrowing a mortgage loan shall enjoy preferential policies in relation to loan interest rates and down payment. For residents who have already borrowed a mortgage loan and purchased self-occupied housing for the first-time, if the GFA per person of that first housing is lower than the local average, such residents may still enjoy the preferential policies in relation to loan interest rates and down payment when they purchase a second self occupied house. For any other application on mortgage loans for purchasing a second or subsequent housing unit, the interest rate shall be determined by the commercial banks based on the benchmark interest rate and the banks' risk assessments.

On January 7, 2010, the General Office of the State Council issued the Notice on Promoting the Steady and Healthy Development of the Real Estate Market (關於促進房地產市場平穩健康發展的通知), provides that the families (including the debtors, their spouses and their juvenile children) who have bought a residential house by the loans and are applying for loans to buy a second residential house or more residential houses, the down payments of the loans should not be lower than 40%.

On April 17, 2010, the State Council issued the Notice on Resolutely Curbing the Rise of Housing Prices in Certain Cities (關於堅決遏制部分城市房價過快上漲的通知), which increases (i) the amount of down payment to 30% of the property price for the purchase of the first property over 90 sq.m.; (ii) the amount of down payment to 50% of the property price for the purchase of the second property and the

mortgage interest rate to be no less than 1.1 times the benchmark rate in China and (iii) the amount of down payment and the mortgage interest rate for additional properties significantly as determined by the banks in accordance with their risk management policies.

According to the Notice on Issues concerning the Improvement of Differential Housing Credit Policies (關於完善差別化住房信貸政策有關問題的通知) jointly issued by of the PBOC and CBRC on September 29, 2010, all commercial banks shall suspend granting housing loans to families for purchasing the third or more housing units; commercial banks shall also suspend the granting of housing loans to non-local residents who cannot provide local tax payment proof or proof of social insurance payment for one year or longer.

For the purchase of commodity housing with loans, the down payment shall be adjusted to more than 30% of the total price. For the real estate developers which leave any land idle, change the usage and nature of land, delay the time of initiating project and completion of construction, hold back housing units for future sale, or have other records of violations of laws or regulations, all commercial banks shall suspend granting loans to them for new projects development and suspend the extension of loans.

On January 26, 2011, the General Office of the State Council issued the Notice on Issues Relating to Further Regulating the Control of Property Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知), according to which, the minimum down payment in respect of mortgage loans on purchases of second residential properties by families is increased to 60% of the purchases price and the applicable mortgage rate must be at least 1.1 times of the relevant benchmark lending rate published by the PBOC.

On September 29, 2014, the PBOC and CBRC jointly issued the Notice on Further Improving Housing Financial Services (關於進一步做好住房金融服務工作的通知), according to which, for a family that applies for a loan to purchase the first ordinary owner-occupied residential property, the minimum down payment ratio shall be 30%, and mortgage rate shall be no less than 0.7 times of the relevant benchmark lending rate; where a family, which owns an existing residential house for which the relevant mortgage loan has been paid off, applies for a new loan to purchase another ordinary commodity housing for the purpose of improving living conditions, the relevant financial institutions shall adopt the lending policies of the first owner-occupied property.

The PBOC, Ministry of Housing and Urban-Rural Development and CBRC issued the Notice on Matters Concerning Personal Housing Loan Policies (關於個人住房貸款政策有關問題的通知) on March 30, 2015. According to the Notice, where a household, which already owns one housing property and has not paid off the relevant housing loan, applies for another commercial personal housing loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment ratio is adjusted to 40%. In case of purchasing ordinary housing properties using housing accumulation fund loans by first-time buyers, the minimum down payment ratio is 20%; where a household, which already owns one housing property and has paid off the relevant housing loan, applies for another housing accumulation fund loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment ratio is 30%.

According to the Notice on the Adjustment to the Down Payment Ratio for Personal Housing Provident Fund Loans (關於調整住房公積金個人住房貸款購房最低首付款比例的通知) promulgated by the Ministry of Housing and Urban-Rural Development, Ministry of Finance and PBOC on August 27, 2015, and effective from September 1, 2015, where a household, which already owns one housing property and has paid off the relevant housing loan, applies for another housing accumulation fund loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment ratio is adjusted from 30% to 20%. Beijing, Shanghai, Guangzhou and Shenzhen may decide on such ratio at their own discretion based on the state's policy and local condition.

On September 24, 2015, the PBOC and the CBRC jointly issued the Notice on Issues concerning the Further Improvement of Differentiation on Housing Credit Policies (關於進一步完善差別化住房信貸政策有關問題的通知), according to which, for the first purchase of ordinary housing with commercial loans, the minimum down payment shall be adjusted to not less than 25% of the purchase price in cities where no purchase restriction policy is adopted.

According to the Notice on Matters concerning the Adjustment of the Personal Housing Loans Policies (關於調整個人住房貸款政策有關問題的通知), issued by the PBOC and CBRC in February, 2016, in cities where no “property purchase control” is implemented, the minimum down payment for all first-time ordinary home households with commercial housing loans shall be 25% in principle, and may be lowered by up to 5% by local governments; where a household, which has already owned a home and has not paid off the relevant housing loan, applies for another commercial housing loan to purchase another ordinary house for the purpose of improving living conditions, the minimum down payment is adjusted to 30%.

REAL ESTATE MANAGEMENT

According to the Regulation on Property Management (物業管理條例) promulgated by the State Council on June 8, 2003 and amended on August 26, 2007 and February 6, 2016, an enterprise engaging in property management activities shall have the independent corporation capacity. The State applies the system of qualification administration to the enterprises engaging in property management activities.

Under the Measures for the Administration of Qualifications of Property Management Enterprises (物業服務企業資質管理辦法) promulgated by the Ministry of Construction on March 17, 2004 and amended respectively on November 26, 2007 and on May 4, 2015, a property service enterprise must apply for assessment of its qualification by the relevant qualification approval authority. An enterprise which passes such a qualification assessment will be issued a qualification certificate. No enterprise may engage in property management without undertaking a qualification assessment conducted by the relevant authority and obtaining a qualification certificate. The qualifications of a property service enterprise shall be classified as the first, second and third grades.

The qualification grade of a newly established property service enterprise shall be checked and ratified according to the minimum grade, with an interim effective period of one year. The property service enterprises with the first grade qualification may undertake various property management projects. The property service enterprises with the second grade qualification may undertake the property management business of residential projects of less than 300,000 sq.m. and the non-residential projects of less than 80,000 sq.m. The property service enterprises with the third grade qualifications may undertake the property management business of residential projects less than 200,000 sq.m. and non-residential projects less than 50,000 sq.m.

INSURANCE

There is no mandatory provision in PRC laws, regulations and government rules which require a property developer to take out insurance policies for its real estate developments.

According to the common practice of the property industry in China, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects. Construction companies must pay for the insurance premium at their own costs and take out 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 other kinds of risks associated with the construction and installation works throughout the construction period. The insurance coverage for all these risks will cease immediately after the completion and acceptance upon inspection of construction.

MEASURES ON STABILIZING PROPERTY PRICES

The General Office of the State Council promulgated a Circular on Stabilizing Housing Prices (關於切實穩定住房價格的通知) on March 26, 2005, introducing measures to be taken to restrain the housing price from increasing too fast and to promote a stable development of the real estate market. On April 30, 2005, the Ministry of Construction, NDRC, the Ministry of Finance, the Ministry of Land and resources, PBOC, the State Taxation Bureau and CBRC jointly issued the Opinions on Stabilizing Housing Prices (關於做好穩定住房價格工作的意見) with the following guidance:

- Where the housing price is growing too fast, while the supply of ordinary commodity houses at medium or low prices and low-cost affordable houses is insufficient, the housing construction should mainly involve projects of ordinary commodity houses at medium or low prices and low cost affordable houses. The construction of low-density, high quality houses should be strictly controlled. The relevant local government authorities are authorized to impose conditions on planning and design such as building height, plot ratio and green space and to impose such requirements as sale price, type and GFA as preconditions on land assignment. The local governments are also required to strengthen their supervision of real estate developments in their jurisdictions;
- Where the price of land for residential use and the price for residential housing are growing too fast, the proportion of land supply for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses at medium or low prices and low-cost affordable houses should be especially increased. Land supply for villa construction should continue to be suspended, and land supply for high quality housing property construction should be strictly restricted;
- Commencing from June 1, 2005, a business tax upon transfer of a residential house by an individual within two years from his/her purchase will be levied on the gain from such sale. For an individual to transfer an ordinary residential house after two years from his/her purchase, the business tax will be exempted. For an individual to transfer a property other than an ordinary residential house after two years from his/her purchase, the business tax will be levied on the difference between the price of such sale and the original purchase price;
- Ordinary residential houses with medium or small GFAs and at medium or low prices may be granted preferential treatment such as planning permits, land supply, credit and taxation. Houses enjoying these preferential policies must satisfy the following conditions in principle: the plot ratio is above 1.0, the GFA of one single unit is less than 120 sq.m., and the actual transfer price is lower than 120% of the average transfer price of comparable houses at comparable locations. The local governments at the provincial level may, based on their actual local circumstances, formulate specific standards for ordinary residential houses that may enjoy the preferential policies; and
- Transfer of uncompleted commodity properties by any pre-sale purchaser is forbidden.

In addition, purchasers are required to buy properties in their real names. Any commodity property pre-sale contract must also be filed with the relevant government agencies electronically 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, PBOC, the National Bureau of Statistics, the State Taxation Bureau and 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意見的通知). The Opinions reiterated the existing measures and introduced new measures to further curb fast increase in property prices in large cities and to promote healthy development of the PRC property market. These measures, among the others, include:

- 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 GFA of residential projects approved or constructed on or after June 1, 2006 must consist of units with a unit floor area less than 90 sq.m. per unit (including affordable housing) 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 and certain cities may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;
- prohibiting commercial banks from lending funds to real estate developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the relevant projects, of less than 35%, restricting the extension of loans and the grant 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 their 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 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 December 20, 2008, the General Office of the State Council issued the rules on the Opinion on Promoting the Healthy Development of Real Estate Market (關於促進房地產市場健康發展的若干意見), which provides that in order to expand domestic demand and encourage consumption in ordinary residential housing, a business tax relief policy for real property transfers will be implemented for one year in relation to residential property conveyance. Business tax is exempted for any transfer of ordinary housing purchased and held by individuals for at least two years, as opposed to five years previously; any transfer of ordinary housing purchased by individuals for less than two years is subject to business tax based on the difference between the sale price from such transfer and the original purchase price, as opposed to the full sale price. Any transfer of non-ordinary housing purchased by individuals for at least two years, as opposed to five years previously, is subject to business tax based on the difference between the gain from such transfer and the original purchase price. Any transfer of non-ordinary housing purchased by individuals for less than two years remains subject to business tax based solely on the sale price from such transfer. The above-mentioned policy is tentatively scheduled to be enforced until December 31, 2009.

On October 22, 2008, PBOC promulgated the Notice on Several Issues Regarding the Expansion of Downward Floating Interest Rate for Commercial Individual Housing Loans (關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知) which provides that, as of October 27, 2008, the float-down range for interest rate for commercial individual housing loans will be expanded and the ratio of down payments will be modified. The minimum interest rate for commercial individual housing loans will be 70% of the benchmark loan interest rate and the minimum down payment ratio will be adjusted to 20%. Related matters are as follows:

- Loan interest rate and down payment ratio granted by the financial institutions to their clients shall be determined based on the following factors: whether or not it is the first time for the borrower to buy the house, whether or not the house is used for self occupancy, whether or not the house type and GFA conform to an ordinary residential house, and other risk factors such as the borrower's credit record and repayment capacity;
- Financial institutions may provide preferential treatments on loan interest rate and down payment ratio to residents for their first purchase of ordinary self-occupied houses and improved ordinary self-occupied houses. For non-self-occupied houses and non-ordinary residential houses, financial institutions may properly raise the loan conditions;
- As to commercial individual housing loans granted, financial institutions shall determine the interest rate for the outstanding portion thereof, in accordance with Section 1 of this notice, on the basis of reasonable assessment of loan risks and according to the original loan contracts. The down payment ratio under the original loan contracts shall remain effective; and
- The policy that the borrower's monthly expenditure on repayment of housing loans shall not exceed 50% of his/her monthly income remains unchanged.

According to the Supplemental Notice on Further Implementing Regulations and Rules of the State Council and Resolutely Curbing the Rise of Housing Prices (關於進一步落實國務院文件精神堅決遏制房價過快上漲的補充通知) promulgated by the General Office of Shenzhen Municipal People's Government on September 30, 2010, a local residential family shall not purchase more than two houses; and a non-local residential family that is able to provide evidence documents on a consecutive year of local tax payment or social insurance contribution is allowed to purchase one house.

Pursuant to the Circular of the General Office of the State Council on Notice on Issues Relating to Further Regulating the Control of Property Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知) dated January 26, 2011, generally, municipalities, provincial capitals and cities with high housing prices will implement purchase restrictions for a specified period. In principle, (i) a local residential family that already holds one house or a non-local residential family that is able to provide evidence of local tax or social insurance payment for a required period is limited to purchasing one additional house (including the new commodity residential house or a second hand one); and (ii) a local residential family that holds two or more houses, a non-local residential family that holds one or more houses or a non-local residential family that cannot provide the local payment of tax and/or social insurance for a required period shall be suspended from purchasing any other commodity residential houses.

On February 26, 2013, The State Council General Office of the PRC promulgated the Notice on Further Regulation and Control of Real Estate Market (關於繼續做好房地產市場調控工作的通知), introducing five policy measures to control the real estate market, including: (a) improving the accountability system for stabilization of house prices; (b) strictly controlling over house purchase for speculation; (c) increasing the supply of ordinary residential houses and the land supply of residential houses; (d) accelerating the planning and construction of subsidized housing projects; (e) tightening the market regulations and forecast management; and (f) accelerating the establishment and optimization of the long-term mechanism for the healthy development of the real estate market.

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

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

The notice also stipulated that if the number of small-and medium-sized units of a general commodity housing project accounted for more than 70% of the total units to be constructed, the banking financial institutions shall give priority to the financing need of the development of the project subject to credit conditions. In addition, the local authorities shall strengthen the pre-sale fund management and improve their regulatory systems. For overpriced pre-sale commodity housing projects in breach of the guidance of the housing and urban-rural development department or the regulations on pre-sale fund, the approval and issuance of the pre-sale permits may be suspended.

According to the Measures on Further Promoting the Healthy Development of Real State Market (關於進一步促進我市房地產市場平穩健康發展的若干措施) jointly promulgated by the Shenzhen Planning and Land Resources Bureau, Shenzhen Market and Quality Supervision Commission, Shenzhen Public Security Bureau, Shenzhen Construction Bureau, Shenzhen Local Taxation Bureau, Shenzhen Financial and Development Services Office and Shenzhen Internet and Information Office on October 4, 2016, a local residential family shall not purchase more than two houses; a local residential single-adult shall not purchase more than one house; and a non-local residential family that is able to provide evidence documents on local tax payment or social insurance contribution of no less than five consecutive years prior to the house purchasing date is allowed to purchase one house.

PRC TAXATION

PRC Deed Tax

Under the Provisional Regulation on the Deed Tax of the People's Republic of China (中華人民共和國契稅暫行條例) which took effect on October 1, 1997, deed tax applies to entities and individuals that accept the transfer of land-use rights and the ownership of houses within the territory of the PRC.

The transfer of land-use rights and the ownership of houses refer to the following acts:

- Assignment of the right to use state-owned land;
- Transfer of land-use rights, including the transfer by means of sale, gift and exchange, excluding the transfer of the right contract for the management of rural collective land;
- Purchase and sale of houses;
- Gift of houses; and
- Exchange of houses

The transfer of land-use rights and the ownership of houses by the means of the following methods are also deemed to be governed by the above regulation, as stipulated by the Implementation Rule of Provisional Regulation on the Deed Tax (中華人民共和國契稅暫行條例細則):

- Using land-use rights and ownership of a house as investment;
- Setting off debt with land-use rights and the ownership of house;
- Obtaining land-use rights and the ownership of a house as a prize; and
- Obtaining land-use rights and the ownership of a house by the way of purchasing in advance.

The rate of deed tax will, within the range of 3-5%, be determined by the PRC government agencies of provincial, autonomous region and municipal level in light of the actual conditions of the underlying properties respective areas and shall be reported to the Ministry of Finance and the State Administration of Taxation.

The deed tax will be reduced or exempted under the following circumstances:

- For the acceptance of land and houses by state agencies, institutions, social organizations and military units for office, teaching, medical service, scientific research and military facilities, the deed tax will be exempted;
- For the initial purchase of state-owned residential houses by urban and township workers and staff members according to the provisions of relevant laws and regulations, the deed tax will be exempted;
- For the purchase of residential houses in replacement of houses damaged or destroyed due to force majeure, the tax will, upon approval, be reduced or exempted according to the circumstances; and
- Any other types of reduction or exemption provided by the Ministry of Finance.

Reduction or exemption of deed tax will not be applicable if the relevant land or house and the change of use is no longer within the above mentioned scope, and an amount of tax equivalent to the tax reduction or exemption should be repaid.

On September 29, 2010, the Ministry of Finance, the Ministry of Construction and the State Administration of Taxation promulgated the Notice on the Adjustment of the Deed Tax and Personal Income Tax Preferential Policies in Real Estate Transactions (關於調整房地產交易環節契稅個人所得稅優惠政策的通知), which provides that deed tax rate is reduced to 1% for first-time individual buyer who purchases an ordinary residential property with a GFA of less than 90 sq.m. as the family's sole property.

On February 17, 2016, the Ministry of Finance, the Ministry of Construction and the State Administration of Taxation promulgated the Notice on the Adjustment of the Deed Tax and Business Tax Preferential Policies in Real Estate Transactions (關於調整房地產交易環節契稅、營業稅優惠政策的通知), which provides that deed tax shall be levied at the reduced rate of 1% on an individual who purchases a house of 90 sq.m. or smaller as the family's sole property. If such a house is larger than 90 sq.m., deed tax shall be levied at the reduced rate of 1.5%. Deed tax shall be levied at the reduced rate of 1% on an individual who purchases a second family home of 90 sq.m. or smaller for the purpose of improving living conditions for the family. If such a house is larger than 90 sq.m., deed tax shall be levied at the reduced rate of 2%.

Income Tax

According to the EIT Law enacted by the National People's Congress on March 16, 2007 and amended on February 24, 2017 and relevant implementation rules enacted by the State Council on December 6, 2007, both in effect from January 1, 2008 onwards, a uniform income tax rate of 25% will be applied towards PRC enterprises, foreign investment enterprises and foreign enterprises which have set up production and operation facilities in the PRC. The PRC EIT Law also permits enterprises to continue to enjoy their existing tax incentives, adjusted by certain transitional phase-out rules, under which enterprises that were subject to an EIT rate of 15% prior to January 1, 2008 may continue to enjoy the lower rate and gradually transition to the new EIT rate within five years after the effective date of the PRC EIT Law, that is 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and the new statutory EIT rate of 25% from 2012 onwards. In addition, under the phase-out rules, enterprises established before the promulgation date of the PRC EIT Law and which were granted tax holidays (such as a two-year exemption and three years of reduction by 50% and a five-year exemptions and five years of reduction by 50%) under the then effective tax laws or regulations may continue to enjoy their tax holidays until their expiration.

Under the implementation rules of EIT Law, in effect from January 1, 2008 and amended on February 24, 2017, a withholding tax of 10% will be applicable to dividends paid by foreign-invested enterprises to foreign investors, unless otherwise stipulated in tax treaties concluded between Chinese government and other jurisdictions. However, due to Arrangement between the PRC and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) on August 21, 2006, a company incorporated in Hong Kong will be subject to a withholding tax at a rate of 5% on dividends it receives from a company incorporated in the PRC if it holds a 25% interest or more in the PRC company. In addition, the PRC State Administration of Taxation promulgated a tax notice on October 27, 2009, or Circular 601, which provides that tax treaty benefits will be denied to "conduit" or shell companies without business substance, and a beneficial ownership analysis will be used based on a "substance-over-the-form" principle to determine whether or not to grant tax treaty benefits.

According to the implementation rules of the EIT Law, if an enterprise incorporated outside the PRC has its “de facto management body” located within the PRC, such an enterprise may be recognized as a PRC tax resident enterprise and subject to EIT at the rate of 25%. According to the PRC EIT Law, dividends received by a qualified PRC tax resident enterprise from another qualified PRC tax resident enterprises are exempted from EIT.

On March 6, 2009, the State Administration of Taxation promulgated the Measures for the Treatment of Enterprise Income Tax on Real Estate Development and Operation Businesses (房地產開發經營業務企業所得稅處理辦法), which regulates the revenue, cost of sales, fees deduction, accounting of costs and tax treatment of specific matters of enterprises engaging in the real estate business in the PRC in relation to the imposition of corporate income tax.

Business Tax

Pursuant to the Provisional Regulation of the People’s Republic of China on Business Tax (中華人民共和國營業稅暫行條例) enacted by the State Council on December 13, 1993 and revised on November 10, 2008, and its Detailed Implementation Rules on the Provisional Regulation of the People’s Republic of China on Business Tax (中華人民共和國營業稅暫行條例實施細則) issued by the Ministry of Finance on December 15, 2008 and revised on October 28, 2011, the tax rate on transfers of immovable properties, their superstructures and attachments is 5%.

The Ministry of Finance and the State Administration of Taxation issued the Notice on Adjusting Business Tax Policies for Personal Housing Property Transfers (關於調整個人住房轉讓營業稅政策的通知) on March 30, 2015. According to the Notice, business tax will be fully levied on housing properties purchased by individuals for less than 2 years; in the case of non-ordinary housing properties purchased by individuals for longer than 2 (inclusive) years, business tax will be levied on the portion of sale income deducting the purchase price; and ordinary housing properties purchased by individuals for longer than 2 (inclusive) years will be exempted from business tax.

Land Appreciation Tax

Under the LAT Regulation promulgated by the State Council on December 13, 1993 and revised on January 8, 2011, and its implementation rules, LAT applies to both domestic and foreign investors, irrespective of whether they are corporate entities or individuals. LAT is payable on the appreciation in value representing the balance of the proceeds received on sales, after deducting various prescribed items. LAT is charged at progressive rates ranging from 30% to 60%. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land-use rights and the costs of land development and the construction of new buildings or related facilities. An exemption from payment of LAT may be available if the taxpayer constructs ordinary residential apartments and the appreciation amount does not exceed 20% of the sum of deductions allowed under PRC law. If, however, the appreciation amount exceeds 20% of the sum of allowable deductions, such an exemption is not available and the taxpayer will be liable to LAT on the full appreciation amount, after taking account of the allowable deductions. The allowable deductions include the following items:

- Payment made to acquire land-use rights;
- Costs and expenses related to land development and the construction of the properties;
- Construction costs and charges in the case of newly constructed buildings and facilities or assessed value in the case of old buildings and structures;

- Taxes in connection with the transfer of real estate; and
- Other items stipulated by the Ministry of Finance (including 20% deduction of the first two items mentioned above in relation to property development).

LAT is charged at progressive rates ranging from 30% to 60% of the appreciation value (i.e., the balance as described above).

<u>Appreciation value</u>	<u>LAT rates</u>
	(%)
For the portion	
Not exceeding 50% of allowable deductions	30
Over 50% but not more than 100% of allowable deductions	40
Over 100% but not more than 200% of allowable deductions	50
Over 200% of allowable deductions	60

An exemption from payment of LAT may be available if the taxpayer constructs ordinary standard residential apartments and the appreciation amount does not exceed 20% of the sum of deductions allowed under PRC law.

According to the implementation rules of LAT Regulation, a provision of LAT may be made before the completions of construction of the tax payer transfers the proceeds of pre-sale. The provision rate may be determined by Local government subject to the minimum requirement set forth by the State Administrative of Taxation.

Urban Land-use Tax

Pursuant to the Provisional Regulation Governing Land-Use Tax in Cities and Towns of the People's Republic of China (中華人民共和國城鎮土地使用稅暫行條例) enacted by the State Council on September 27, 1988 and revised on December 31, 2006, on January 8, 2011 and on December 17, 2013, land-use taxes in respect of urban land is to be levied according to the area of relevant land. The annual tax shall be between RMB0.2 and RMB10 per sq.m. of urban land. According to the Approval on Land-Use Tax Exemption of Foreign Investment Enterprises (關於外商投資企業徵免土地使用稅問題的批覆) issued by the State Administration of Taxation on March 27, 1997, land-use fees instead of land-use taxes were to be collected from foreign-invested enterprises. However, the Provisional Regulation Governing Land-Use Tax in Cities and Towns of the People's Republic of China (中華人民共和國城鎮土地使用稅暫行條例) was revised by the State Council on December 31, 2006. As of January 1, 2007, land-use taxes are to be collected from foreign-invested enterprise. The annual tax is between RMB0.6 and RMB30.0 per sq.m. of urban land. On June 1, 2007, the State Administration of Taxation promulgated the Approval on Levy of Urban Land-Use Tax of Foreign Investment Enterprises and Foreign Enterprise (關於外商投資企業和外國企業徵收城鎮土地使用稅問題的批覆) and restated the above points.

Real Estate Tax

Before January 1, 2009, there are two parallel tax systems in China for enterprises engaged in real estate development and investment in China. Such tax applicable for domestic enterprises, organizations and individuals is real estate tax which is calculated on the remaining original book value of the real estate after 10% to 30% deduction of the original book value depending on where the real estate is located, at a rate of 1.2%, or on the rental income derived by the real estate at a rate of 12% according to the

Provisional Rules on Real Estate Tax of the People's Republic of China (中華人民共和國房產稅暫行條例) promulgated by the State Council on September 15, 1986 and amended on January 8, 2011. While foreign invested enterprises, foreign enterprises and foreign individuals are required to pay urban real estate tax on land and buildings owned by them in the urban areas of China. According to the Provisional Rules on Urban Real Estate Tax of the People's Republic of China (中華人民共和國城市房地產稅暫行條例) promulgated by the State Council on August 8, 1951, the urban real estate tax is charged at a rate of 1.5% annually based on standard prices for property or 15% annually based on rental income.

By issuance of PRC State Council Order 546 (中華人民共和國國務院令2008第546號) on December 31, 2008, the State Council unifies the two parallel real estate tax systems by abolishing the urban real estate tax. Starting from January 1, 2009, all enterprises, organizations and individuals that own or use real estate in China shall subject to real estate tax by using the calculation method as mentioned in the Provisional Rules on Real Estate Tax of the People's Republic of China (中華人民共和國房產稅暫行條例) promulgated by the State Council on September 15, 1986.

Stamp duty

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

Urban maintenance and construction tax and education surcharge

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

Under the Provisional Provisions on Imposition of Education Surcharge (徵收教育費附加的暫行規定) promulgated by the State Council on April 28, 1986 and revised on June 7, 1990, August 20, 2005 and January 8, 2011, a taxpayer, whether an entity or individual, of product tax, value-added tax or business tax shall pay an education surcharge at a rate of 3% on the total amount of consumption tax, value-added tax and business tax paid by such entity, unless such obliged taxpayer is instead required to pay a rural area education surcharge as stipulated under the Notice of the State Council on Raising Funds for Schools in Rural Areas (關於籌措農村學校辦學經費的通知).

FOREIGN CURRENCY EXCHANGE

Prior to December 31, 1993, a quota system was used for the management of foreign currency. Any enterprise that used foreign currency in the normal course of its operations was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through the Bank of China or other designated banks. Such conversion had to be effected at the official rate set up by SAFE on a daily basis. Renminbi could also be converted into foreign currency at swap centers. The exchange rates used by swap centers were largely determined by the demand for and supply of the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap center had to obtain an advanced approval from SAFE.

On December 28, 1993, the PBOC, under the authority of the State Council, promulgated the Notice of the PBOC Concerning Further Reform of the Foreign Currency Control System (中國人民銀行關於進一步改革外匯管理體制的公告), effective on January 1, 1994 and revoked on August 28, 2009. The notice announced the abolition of the foreign exchange quota system, the implementation of conditional convertibility of Renminbi in current account items, the establishment of the settlement and payment system of foreign exchange by banks, and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centers. On June 20, 1996, the PBOC promulgated the Regulation on the Administration of the Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定), which set out detailed provisions regulating the trading of foreign exchange by enterprises, economic organizations and social organizations in the PRC.

The principal regulation governing foreign currency exchange in the PRC is the Regulation on the Control of Foreign Exchange (the “Foreign Exchange Regulation”) (中華人民共和國外匯管理條例), promulgated by the State Council in January 1996, as amended in January 1997 and August 2008. Under the regulation, Renminbi are freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but are not freely convertible for capital expenditure such as direct investment, loans or investments in securities outside the PRC unless the approval of SAFE is obtained in advance.

Under the Foreign Exchange Regulation, foreign-invested enterprises in the PRC may purchase foreign currency for trade and service-related foreign exchange transactions without the approval of the SAFE by providing commercial documents evidencing these transactions. They may also remit foreign currency (subject to a cap approved by SAFE) to satisfy foreign exchange liabilities or to pay dividends. However, the relevant PRC government authorities, which have significant administrative discretion in implementing the laws, may restrict or eliminate the ability of foreign-invested enterprises to purchase and remit foreign currencies in the future. In addition, foreign exchange transactions involving direct investment, loans and investments in securities outside the PRC are subject to limitations and require approvals from SAFE.

Under the 171 document, no offshore or Chinese domestic loan is allowed and the foreign exchange administration shall not approve the conversion of foreign loans into RMB if the foreign-invested real estate corporations have not paid their registered capital in full, or have not obtained the land-use rights certificate, or their internal fund for a development project is less than 35% of the total investment.

In accordance with the 171 document, MOFCOM and SAFE jointly issued No. 50 Notice on May 23, 2007. Under the No. 50 Notice, the local SAFE administrative authority and designated foreign exchange bank will not conduct foreign exchange purchase and settlement process for foreign-invested real estate company who fails to satisfy the MOFCOM for filing requirement or to pass the joint annual examination of foreign-invested enterprises.

On July 10, 2007, the General Department of SAFE issued Circular No. 130. According to Circular No. 130, registration regarding the establishment of foreign-invested real estate enterprises shall be made with MOFCOM. However, such real estate enterprises with foreign investment as filed with MOFCOM will not be permitted to borrow money from overseas, including through shareholder loans and foreign commercial loans. Further, for those which fail to file with MOFCOM after June 1, 2007, neither foreign exchange registration, foreign exchange alteration registration nor sale and purchase of foreign exchange under capital account will be effected with SAFE or its branches.

The Circular No. 130 was abolished on May 13, 2013 by Notice No. 21 which was promulgated by SAFE on May 10, 2013. However, the restriction measures on the foreign debt of foreign-invested real estate enterprises stipulated in the Circular No. 130 have been reflected in Notice No. 19 issued by SAFE on April 28, 2013.

On August 29, 2008, SAFE issued the “Notice of the General Department of the SAFE on Improving on Relevant Business Operations Issues Concerning the Administration of the Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises” (國家外匯管理局綜合司關於完善外商投資企業外匯資金支付結匯管理有關業務操作問題的通知) (the “Notice 142”) which regulates the conversion by a foreign-invested enterprise of foreign currency into Renminbi by restricting how the converted Renminbi may be used. The Notice 142 requires that the Renminbi funds converted from the foreign currency capital of a foreign-invested enterprise may only be used for purposes within the business scope of the relevant foreign invested companies approved by the applicable governmental authority and cannot be used for equity investments or acquisitions within the PRC unless specifically provided for otherwise. In addition, SAFE strengthened its supervision over the flow and use of Renminbi funds converted from the foreign currency capital of a foreign-invested enterprise. An offshore holding company that uses foreign exchange to invest in real estate businesses in the PRC is typically required to conduct the real estate operations through PRC subsidiaries that were established as foreign-invested real estate companies and invest in such foreign-invested PRC subsidiaries through equity contribution. In addition, it is required to complete the requisite filing procedures with MOFCOM before it can remit any funds from offshore. The use of such Renminbi capital may not be changed without SAFE’s approval, and may not, in any case, be used to repay or prepay Renminbi loans if such loans have not been used.

The Notice 142 was abolished by the Notice on Reforming the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資金結匯管理方式的通知), which was promulgated by SAFE on March 30, 2015. According to the Notice, a foreign-invested enterprise may, according to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account-crediting of monetary contribution). For the time being, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capitals on a discretionary basis; a foreign-invested enterprise shall truthfully use its capital for its own operational purposes within the scope of business; where an ordinary foreign-invested enterprise makes domestic equity investment with the amount of foreign exchanges settled, the invested enterprise shall first go through domestic re-investment registration and open a corresponding Account for Foreign Exchange Settlement Pending Payment with the foreign exchange bureau (bank) at the place of registration.

According to the Notice on Further Improving and Adjusting Management Policies on Foreign Exchange of Direct Investment (關於進一步改進和調整直接投資外匯管理政策的通知) (the “Notice 59”), promulgated by the SAFE on November 19, 2012, effective from December 17, 2012 and amended on May 4, 2015, foreign investors are no longer required to obtain approval from the SAFE to re-invest in China by using legal income generated in China. No approval from the SAFE is required for opening the bank

account, payment into account, settlement of the foreign exchange and for the purchase and external payment of foreign exchange in relation to direct foreign investments in China. Also, domestic transfer of foreign exchange under direct investment account is no longer subject to approval by the SAFE. In addition, the foreign invested entities are permitted to remit funds to their offshore parent companies.

LABOR PROTECTION

The Labor Contract Law of the People's Republic of China (中華人民共和國勞動合同法) promulgated on June 29, 2007 and amended on December 28, 2012, and the Implementation Rules of the Labor Contract Law of the People's Republic of China (中華人民共和國勞動合同法實施條例) promulgated on September 18, 2008, set out specific provisions in relation to the execution, the terms and the termination of an employment contract and the rights and obligations of the employees and the employers. At the time of hiring, the employer shall truthfully inform the employee as to the scope of work, working conditions, working place, occupational hazards, work safety, salary and other matters which the employee requests to be informed about.

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

MANAGEMENT

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

Ms. HUANG Jingshu (黃敬舒) . . .	29	Chairman and executive director
Mr. TANG Shouchun (唐壽春). . . .	54	Executive director and chief executive officer
Mr. YE Xingan (葉興安)	53	Executive director
Ms. DENG Chengying (鄧承英). . .	56	Executive director
Mr. HUANG Hao Yuan (黃浩源) . .	26	Executive director
Mr. ZHU Jiusheng (祝九勝)	48	Independent non-executive director
Mr. WANG Jing (王敬)	49	Independent non-executive director
Ms. HU Gin Ing (胡競英)	58	Independent non-executive director

EXECUTIVE DIRECTORS

Ms. HUANG Jingshu (黃敬舒), aged 29, was appointed as an executive director and chairman on May 15, 2014 and June 5, 2014, respectively, and is responsible for the overall business development of the Company. From August 2012 to July 2013, Ms. Huang served in the Guangzhou branch of Deloitte Touche Tohmatsu (Special General Partnership) and her last position was analyst of Enterprise Risk Service Division, where she was primarily responsible for providing professional services to the clients. Since November 2010, Ms. Huang started serving in Shenzhen LVGEM Entity Management Group Co., Ltd. where her position was the vice general manager of the investment management department and where she is responsible for corporate development and planning matters. Ms. Huang obtained her Bachelor of Arts degree with Honors in Accounting and Finance from University of Exeter in the United Kingdom in July 2010, and her Master of Science degree in Accounting and Finance in November 2011. Ms. Huang is the daughter of Mr. Wong Hong King, the controlling shareholder of the Company and the sister of Mr. Huang Hao Yuan, an executive director of the Company.

Mr. TANG Shouchun (唐壽春), aged 54 was appointed as an executive director and the chief executive officer on March 31, 2016, and is responsible for corporate investment and finance matters of the Company. Mr. Tang was appointed as vice president of Shenzhen LVGEM Entity Management Group Co., Ltd. in October 2015. Prior to joining Shenzhen LVGEM Entity Management Group Co., Ltd., Mr. Tang has been the deputy general manager of Yue Xiu Enterprises (Holdings) Limited and executive director of Yuexiu Property Company Limited (a company listed on the Stock Exchange). Mr. Tang studied business administration in Nanjing Agricultural University and obtained a doctorate degree. After graduating, he has been vice professor at South China Normal University in Guangzhou for five years, senior management in Guangdong and Guangzhou large state-owned enterprises (including Hong Kong listed companies) and was responsible for finance, capital operation, legal, audit, strategic and operation management matters. Mr. Tang is a vice professor, senior accountant, senior economist and registered asset appraiser in China.

Mr. YE Xingan (葉興安), aged 53, was appointed as an executive director on May 15, 2014, and is responsible for the overall project development and marketing of the Company. Mr. Ye joined Shenzhen LVGEM Entity Management Group Co., Ltd. in March 2007 and served as the executive vice president and was responsible for its overall operation management. Prior to joining the Company, from March 1993 to August 2002, Mr. Ye served various positions in China Vanke Co., Ltd., a company primarily engaged in real estate development. From August 2002 to March 2005, Mr. Ye served as a director and general manager of Chengdu Xinyi Investment Industry Co., Ltd. and was primarily responsible for overall management. From March 2005 to March 2007, Mr. Ye served as a director and general manager of

Shenzhen Xinyi Real Estate Investment Development Co., Ltd. and was primarily responsible for its overall management. Mr. Ye obtained his associate degree in accounting from Jiangxi College of Finance and Economics (now known as Jiangxi University of Finance and Economics) in the PRC in June 1986, and he studied courses of master's degree in business administration at International Business Administration School of University of International Business and Economics in the PRC from September 2000 to September 2001.

Ms. DENG Chengying (鄧承英), aged 56, was appointed as an executive director on May 15, 2014, and is responsible for the overall finance and taxation management, internal control and compliance management of the Company. Since July 2007, Ms. Deng started serving in Shenzhen LVGEM Entity Management Group Co., Ltd.. She served as an audit director and responsible for overall audit, tax planning, risk control and compliance matters. Prior to joining the Company, from 1993 to 2013, Ms. Deng assumed various positions including accounting director and chief financial officer in Shenzhen Xinzhou Industry Co., Ltd., a company primarily engaged in real estate development and property lease management, and was responsible for accounting and finance matters. Ms. Deng obtained her specialty graduation certificate in industrial accounting (工業會計) from Hunan Radio and TV University in the PRC in July 1986 and studied specialty courses of master's degree in business administration in the Research Institute of Tsinghua University in Shenzhen in the PRC in December 2002. Ms. Deng obtained her intermediate accounting professional qualifications of the People's Republic of China in May 2002.

Mr. HUANG Hao Yuan (黃浩源), aged 26, was appointed as an executive director on February 21, 2017, and is responsible for business branding and investment property management of the Company. Mr. Huang joined Shenzhen LVGEM Entity Management Group Co., Ltd. in 2014, and served as the deputy general manager of the Investment and Development Centre and was responsible for formulating its strategic development and investment plans, as well as responsible for project execution and the evaluation of potential projects. From August 2016 to February 2017, Mr. Huang served as a senior investment manager of Boshuang Assets Management Co., Ltd. and was responsible for project development and evaluation and monitoring of investments. Mr. Huang possesses three years' working experience in the real estate industry in China. Mr. Huang is the son of Mr. Wong Hong King, the controlling shareholder of the Company and the younger brother of Ms. Huang Jingshu, an executive director and chairman of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. ZHU Jiusheng (祝九勝), aged 48, was appointed as an independent non-executive director on May 15, 2014. Prior to joining the Company, from July 1993 to May 2012, Mr. Zhu held various positions in the Shenzhen branch of China Construction Bank Corporation, the shares of which are listed on the Stock Exchange and Shanghai Stock Exchange with stock code 939 and 601939 respectively, and the last position he held was vice president of the Shenzhen branch. Mr. Zhu currently serves as a director of Shenzhen Kondarl (Group) Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code 000048) and as a non-executive director of Huishang Bank Corporation Limited (a company listed on the Stock Exchange with stock code 3698), respectively. Mr. Zhu resigned as the Group Senior Vice President of China Vanke Co., Ltd. on December 31, 2015. Mr. Zhu obtained his master's degree in economics from Zhongnan University of Economics (now known as Zhongnan University of Economics and Law) in the PRC in June 1993, and his doctorate degree in economics from Zhongnan University of Economics and Law in the PRC in December 2003.

Mr. WANG Jing (王敬), aged 49, was appointed as an independent non-executive director on May 15, 2014. Mr. Wang currently serves as an independent director of Better-Life Commercial Chain Share Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code 002251) and as the chairman of the board of directors of Land Vision (Shanghai) Investment Management Co., Ltd., a professional service provider in commercial property industry, and is responsible for its overall management. Mr. Wang obtained his Bachelor of Engineering Degree from Heilongjiang Business School in the PRC in July 1990, and his master's degree in business administration from the University of International Business and Economics in the PRC in July 1997.

Ms. HU Gin Ing (胡競英), aged 58, was appointed as an independent non-executive director on May 15, 2014. Ms. Hu has over 22 years of experience in accounting and finance. Prior to joining the Company, from August 2013 to October 2014, Ms. Hu served as a non-executive director of, SMI Culture & Travel Group Holdings Limited (formerly known as SMI Culture Group Holdings Limited, a company listed on the Stock Exchange with stock code 2366). Since May 2014, Ms. Hu has been serving as the global chief finance officer of Acer Incorporated, a company listed on the Taiwan Stock Exchange with stock code 2353. She serves as an independent non-executive director of Carnival Group International Holdings Limited, Enterprise Development Holdings Limited and United Pacific Industries Limited, all of which are companies listed on the Stock Exchange with stock codes 996, 1808, and 176 respectively. Ms. Hu also served as an independent director of Arich Enterprise Co. Ltd. (a company listed on the GreTai Securities Market in Taiwan with stock code 4173) from December 2012 to June 2015. Ms. Hu obtained her Bachelor of Arts degree from National Taiwan University in June 1981, her Master of Science degree of science from Barry University in the United States of America in May 1988 and her Master of Business Administration degree from Florida International University in the United States of America in August 1990.

SENIOR MANAGEMENT

Ms. HU Yong (呼勇), aged 54, is a vice president of our Group and is responsible for its financing. Prior to joining the Group in January 2005, from July 2003 to December 2004, Ms. Hu served as the assistant to general manager in China Jiantou Commerce & Trading Co., Ltd. and was responsible for finance duties. From January 1987 to January 2001, she served in various positions in Shenzhen Petrochemical Chemical Co., Ltd., including general manager from July 1996 to January 2001. She was responsible for financial and accounting matters. Ms. Hu obtained her associate degree in accounting from Shenzhen University in July 1989, and studied strategic financing management courses in the Research Institute of Tsinghua University in Shenzhen in the PRC in April 2008.

Mr. REN Hongbing (任紅兵), aged 49, is a vice president of our Group and is responsible for project construction and development. Mr. Ren joined the Group in March 2001. He had served various positions including the vice general manager and general manager of Zhuhai LVGEM Real Estate Development Co., Ltd. and was responsible for project development. Prior to joining the Group, Mr. Ren served as various positions in Shenzhen Huatai Enterprises Company and was responsible for technology and engineering matters. Mr. Ren obtained his bachelor's degree in industrial and civil building from Yangzhou Construction Engineering Institute in the PRC in July 1988, and his Master of Business Administration degree from University of Wales in January 2012.

COMPANY SECRETARY

Ms. CHAN Hiu Mei (陳曉薇), was appointed as company secretary of the Company on May 16, 2016. Ms. Chan is also the chief financial officer of our group. Ms. Chan graduated from The Hong Kong University of Science and Technology with a bachelor's degree in Business Administration with a major in Economics. She is a member of the Hong Kong Institute of Certified Public Accountants and Chinese Institute of Certified Public Accountants. Prior to joining the Company, Ms. Chan worked in KPMG Huazhen LLP and as head of finance department in other companies. She has over 16 years of experience in auditing, accounting, financial management and corporate governance matters and has been involved in a number of initial public offering transactions and capital market transactions.

BOARD COMMITTEES

Audit Committee

We established an audit committee with written terms of reference, as amended, in compliance with the Listing Rules. The primary duties of the audit committee are to review and approve our financial reporting process, risk management and internal control systems.

The audit committee consists of three independent non-executive directors, namely Mr. Zhu Jiusheng, Mr. Wang Jing and Ms. Hu Gin Ing, with Mr. Zhu Jiusheng acting as the chairman.

Nomination Committee

We established a nomination committee with written terms of reference in compliance with the Listing Rules. The nomination committee is primarily responsible for recommending to our board of directors suitably qualified persons to become the member of the board of directors and is also responsible for reviewing the structure, size and composition of the board of directors on a regular basis and as required as well as assessing the independence of each independent director.

The nomination committee consists of one executive director and two independent non-executive directors, namely Ms. Huang Jingshu, Mr. Zhu Jiusheng and Mr. Wang Jing, with Ms. Huang Jingshu acting as the chairman.

Remuneration Committee

We established a remuneration committee with written terms of reference in compliance with the Listing Rules. The remuneration committee is responsible for making recommendations to the board on the Company's remuneration policy and structure for all directors and senior management and on the establishment of a formal and transparent procedure for developing such policy.

The remuneration committee consists of two independent non-executive directors and one executive director, namely Ms. Hu Gin Ing, Ms. Huang Jingshu and Mr. Zhu Jiusheng, with Ms. Hu Gin Ing acting as the chairman.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our remuneration policies are formulated based on factors including time commitment and responsibilities of the directors, employment conditions elsewhere in our group and desirability of performance-based remuneration.

The aggregate amount of compensation of key management personnel of our Group, including directors' remuneration, paid by us in 2014, 2015, 2016 and the six months ended June 30, 2017 was approximately RMB7.1 million, RMB8.1 million, RMB36.3 million (US\$5.4 million) and RMB14.2 million (US\$2.1 million), respectively.

SHARE OPTION SCHEME

We operate a share option scheme for the purpose of motivating eligible participants to optimize their performance efficiency for our benefit and to attract and retain or otherwise maintain an on-going business relationship with such eligible participants whose contributions are or will be beneficial to our long-term growth. Eligible participants of the share option scheme include our directors, including independent non-executive directors, executives or officers, full-time or part-time employees, and advisers, consultants, suppliers, customers, distributors and such other persons who in the sole opinion of our directors will contribute or have contributed to our Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As of the date of this offering memorandum, the interests and short positions of each of our directors and the chief executives in the shares and underlying shares and debentures of our Company as recorded in the register required to be kept by our Company pursuant to section 352 of the SFO or as otherwise notified to our Company and The Stock Exchange of Hong Kong pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules were as follows:

<u>Name of Director</u>	<u>Capacity/Nature of interest</u>	<u>Number of shares held⁽¹⁾</u>	<u>Approximate percentage in the Company's issued share capital</u>
Ms. HUANG Jingshu	Personal interest (L)	4,500,000	0.10%
Mr. TANG Shouchun	Personal interest (L)	10,000,000	0.21%
Mr. YE Xingan	Personal interest (L)	10,000,000	0.21%
Ms. DENG Chengying	Personal interest (L)	8,500,000	0.18%
Mr. HUANG Hao Yuan	Personal interest (L)	4,500,000	0.10%
Mr. ZHU Jiusheng	Personal interest (L)	3,000,000	0.06%
Mr. WANG Jing	Personal interest (L)	3,000,000	0.06%
Ms. HU Gin Ing	Personal interest (L)	3,000,000	0.06%

Note:

(1) The letter "L" denotes the person's long position in such securities.

PRINCIPAL SHAREHOLDERS

As of June 30, 2017, so far as the directors are aware, the following persons (other than our directors and the chief executive) or institutions had interests or short positions in the shares and underlying shares as recorded in the register required to be kept pursuant to section 336 of the SFO:

Long position in ordinary shares

Name of shareholder	Capacity/Nature of interest	Number of shares held ⁽¹⁾	Approximate percentage in our issued share capital
China LVGEM Property Holdings Limited (“China LVGEM”) ⁽²⁾ . . .	Beneficial owner	1,010,844,583	21.50%
Go Great International Limited (“Go Great”) ⁽²⁾	Interest of controlled corporation	1,120,187,094	23.87%
Mr. Wong Hong King ⁽²⁾	Interest of controlled corporation	3,520,187,094	75.00%
Kinson Group Limited ⁽³⁾	Beneficial owner	2,400,000,000	51.13%
Evergreen Holdings Limited ⁽³⁾	Interest of controlled corporation	2,400,000,000	51.13%
UBS Trustees (BVI) Limited ⁽³⁾	Interest of controlled corporation	2,400,000,000	51.13%
Toplist Investments Limited	Beneficial owner	300,000,000	6.39%
Wkland Investments V Limited ⁽⁴⁾	Beneficial owner	300,000,000	6.39%
China Vanke Co., Ltd. ⁽⁴⁾	Interest of corporation controlled	300,000,000	6.39%

Notes:

- (1) The letter “L” denotes the person’s long position in such securities.
- (2) China LVGEM is owned as to 100% by Go Great, which is in turn owned as to 100% by Mr. Wong Hong King. Accordingly, Go Great and Mr. Wong Hong King are deemed to be interested in the 1,010,844,583 Shares held by China LVGEM.
- (3) Kinson Group Limited is owned as to 100% by Evergreen Holdings Limited, and Evergreen Holdings Limited is owned as to 100% by UBS Trustees (BVI) Limited, acting as the trustee for the family trust of Mr. Wong Hong King.
- (4) Wkland Investments V Limited is owned as to 100% by China Vanke Co., Ltd.. Accordingly, China Vanke Co., Ltd. is deemed to be interested in the 300,000,000 Shares held by Wkland Investments V Limited.

Long position in convertible preference shares

<u>Name of Shareholder</u>	<u>Capacity</u>	<u>Number of convertible preference shares</u>	<u>Approximate percentage of the issued convertible preference share capital of the Company</u>
China LVGEM	Beneficial owner	3,265,646,936	95.67%
Go Great	Interests of controlled corporation	3,265,646,936	95.67%
Mr. Wong Hong King	Interests of controlled corporation	3,265,646,936	95.67%

Note:

- (1) China LVGEM is owned as to 100% by Go Great, which is in turn owned as to 100% by Mr. Wong Hong King. Accordingly, Go Great and Mr. Wong Hong King are deemed to be interested in the 3,265,646,936 convertible shares held by China LVGEM.

Save as disclosed above, as of June 30, 2017, there was no other person, other than a director or chief executive of our Company, who had interests or short positions in the shares or underlying shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong.

RELATED PARTY TRANSACTIONS

The table below sets forth certain material transactions between us and our related parties in 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017:

Related parties	Relationship	Transactions	For the year ended December 31,				For the six months ended June 30,			
			2014	2015	2016		2016	2017		
			(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)	(RMB'000)	(RMB'000)	(US\$'000)	
Shenzhen Forsafe System Technology Co., Ltd.	Entity controlled by ultimate controlling party	Development cost charged	739	895	1,570	232	-	1,818	268	

The above transactions were entered into in the ordinary course of business of our Group.

DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS

To fund our existing property projects and to finance our working capital requirements, we have entered into financing agreements with various financial institutions and enterprises. As of June 30, 2017, our total borrowings (including our convertible bonds) amounted to RMB13,241.6 million (US\$1,953.2 million). We issued the Original Notes on August 15, 2017. Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

PRC LOAN AGREEMENTS

Certain of our PRC subsidiaries have entered into loan agreements with local branches of various PRC banks and financial institutions, including Bank of China, The Bank of East Asia Limited, Bank of Communications, Hua Xia Bank, Bank of Guangzhou, China CITIC Bank, China Everbright Bank, Bank of Shanghai, Chinese Mercantile Bank, Guosen Securities Co., Ltd., Ping An Bank, China Bohai Bank and Agricultural Bank of China. These loans include project loans to finance the construction of our projects, loans to finance our investment property operations and loans to finance our working capital requirements. The terms generally correspond to the construction periods of the particular projects. As of June 30, 2017, the aggregate outstanding amount under these loans totaled approximately RMB9,424.4 million (US\$1,390.2 million), of which RMB3,977.6 million (US\$586.7 million) would be due within one year and RMB5,466.8 million (US\$803.5 million) would be due between two and fifteen years. Our PRC loans are typically secured by land use rights, properties and bank deposits as well as guaranteed by certain of our PRC subsidiaries.

Interest

The principal amounts outstanding under the PRC loans generally bear interest at variable rates calculated with reference to the PBOC benchmark interest rate. Floating interest rates are generally subject to annual or quarterly review by the lending banks. Most of the interest payments are payable quarterly and must be made on each payment date as provided in the particular loan agreement. As of June 30, 2017, the weighted average interest rate on the aggregate outstanding amount of our PRC loans was 5.5% per annum.

Covenants

Under these PRC loans, many of our subsidiary borrowers have agreed, among other things, not to take the following actions without obtaining the relevant lender's prior consent:

- creating encumbrances on any part of their property or assets or dealing with their assets in a way that may adversely affect their ability to repay their loans;
- granting guarantees to any third parties that may adversely affect their ability to repay their loans;
- making any major changes to their corporate structures, such as entering into joint ventures, mergers, acquisitions and reorganizations;
- altering the nature or scope of their business operations in any material respect;
- transferring part or all of their liabilities under the loans to a third party;

- prepaying the loans;
- selling or disposing of assets; and
- incurring other indebtedness that may adversely affect their ability to repay their loans.

Events of Default

The PRC loan agreements contain certain customary events of default, including failure to pay the amount payable on the due date, unauthorized use of loan proceeds, failure to obtain the lender's approval for an act that requires the latter's approval, and material breach of the other terms of the loan agreement. The banks are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

Certain of our PRC subsidiaries have entered into guarantee agreements with the PRC banks and financial institutions in connection with some of the PRC loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these loans. Further, as of June 30, 2017, RMB9,424.4 million (US\$1,390.2 million) of the PRC loans were secured by bank deposits, land use rights and properties and guaranteed by certain of our PRC subsidiaries.

Dividend Restrictions

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

- if its after-tax net profit is nil or negative or insufficient to cover losses from the previous accounting periods; or if its profit before tax in the relevant accounting period has not been used to pay off the principal, interest or other related expenses due in that accounting period or is insufficient to cover the principal, interest or other related expenses due in next period;
- before prior notice has been made to or written approval has been obtained (if the proposed dividend exceeds a certain percentage of such subsidiary's net profit) from the lender; or
- before the principal amount of and accrued interest on the relevant loan have been fully paid.

DOMESTIC CORPORATE BONDS

Zhengxinglong Real Estate (Shenzhen) Co., Ltd., our wholly-owned subsidiary in the PRC, was approved to issue domestic corporate bonds in an aggregate principal amount of RMB2,600,000,000 in 2016. The domestic corporate bonds were issued on August 26, 2016 in the principal amount of RMB2,600,000,000 with an annual coupon rate of 6.5% and a term of five years. There is an adjustment mechanism after year three to increase the coupon rate to a maximum of 7.5%. Investors can exercise the retractable option within three working days from the third anniversary of the issue date. The domestic corporate bonds are listed on the Shenzhen Stock Exchange. The proceeds from the issuance of domestic corporate bonds were used for general working capital purposes.

Covenants/Events of Default

Under the subscription agreement, our subsidiary Zhengxinglong Real Estate (Shenzhen) Co., Ltd., has agreed, among other things to:

- ensure that that use of proceeds from the issuance is consistent with what has been disclosed;
- provide any written notification within three working days should there be occurrence of certain events, including, but not limited to:
 - (a) changes in bond credit ratings;
 - (b) confiscation, seizure or freezing of the issuer's assets;
 - (c) failure to repay debts due;
 - (d) any changes in capital structure, mergers, demergers, dissolution and decision to apply for bankruptcy; or
 - (e) criminal investigation by judicial authorities of the issuer's directors, supervisors and senior management.

Debt relief measures must be arranged in the event that payment of principal and interest is not made in time. In which case, the issuer (a) may not distribute dividends, (b) must suspend any significant overseas investments and (c) adjust the salaries and bonus payments to directors and senior management, among others.

CONVERTIBLE BONDS

On November 6, 2016 and November 8, 2016, the Company entered into a subscription agreement and a supplemental agreement with Chance Talent Management Limited for the issue of US\$100 million convertible bonds, which bear interest at 5.5% per annum and will be due in 2018. The issuance of the convertible bonds was completed on November 18, 2016 and the net proceeds from the issue of the convertible bonds were utilized as general working capital of the Company.

Interest

The convertible bonds shall bear interest at 5.5% per annum on the principal amount outstanding from time, accruing on a daily basis and calculated for actual number of days elapsed on a 365-day year. The interest is payable semi-annually in arrears from the issue date of the convertible bonds.

Covenants

Under the subscription agreement and supplemental agreement, we have agreed, among other things to:

- maintain a listing for all our issued shares and conversion shares on The Stock Exchange of Hong Kong;
- ensure Mr. Wong Hong King maintains his shareholding interest in, directly or indirectly, not less than 50% of the shares of our Company;

- not create any encumbrances over our shares;
- ensure our shareholder's equity is not less than RMB8,200,000,000 (or its equivalent in any other currency);
- ensure the ratio of the Company's total assets to shareholder's equity is not more than 3.6:1; and
- not change the shareholding structure of certain mentioned subsidiaries in the Company group.

Redemption

The outstanding principle amount of the convertible bonds, unless previously converted into shares or repaid, shall be repaid on the second anniversary of the issue date at the redemption amount. The redemption amount means the amount equal to the aggregate of (a) the aggregate principal amount of outstanding convertible bonds held by the relevant bondholder, (b) any accrued but unpaid interest on the outstanding bonds on the redemption date, (c) (if the sum of the amounts in (a) and (b) falls short of making up an internal rate of return of 8% on the aggregate principal amount of the convertible bonds) such additional amount which would make up an internal rate of return of 8% on the aggregate principal amount of the convertible bonds, and (d) and accrued but unpaid default interest upon certain conditions in the terms.

OFFSHORE FACILITY AGREEMENTS

We or certain of our offshore subsidiaries have entered into facility agreements with offshore banks and financial institutions, including, without limitation, Wing Lung Bank Limited, China CITIC Bank International, The Bank of East Asia, Limited, Hang Seng Bank Limited and Bank of Shanghai (Hong Kong).

These loans include revolving loan facilities to finance our property projects related expenses and working capital requirements. The availability period of such revolving loan facilities is generally subject to the lending bank's periodic review. As of the date of this memorandum, we have fully drawn down such offshore loan facilities.

Interest

Interest is generally calculated at a percentage rate per annum over HIBOR, payable at the end of each interest period. The interest payments periods are selected by the borrower at generally one, two, three or six months.

Covenants

Under these offshore facilities, we have agreed, among other things to:

- remain our listing on The Stock Exchange of Hong Kong and not be suspended for trading for more than five consecutive trading days;
- not change the nature and scope of our business or the business of our group subsidiaries in any material aspect;

- not create encumbrances on any part of their property or assets or dealing with their assets in a way that may adversely affect our ability to repay the facilities;
- provide loan usage evidence from loan drawdown date;
- notify the lender if any of our shares are being pledged; and
- not merge or consolidate any group subsidiaries with non-group companies which may impair our ability to fulfil our obligations under the facilities.

Events of Default

The offshore facility agreements contain certain customary events of default, including failure to pay the amount payable on the due date, unauthorized use of loan proceeds, failure to obtain the lender's approval for an act that requires the latter's approval, and material breach of the other terms of the facility agreement. The banks are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

The lending banks have the right at any time to call for or require any cash or non-cash collateral or security of such types acceptable to be provided by us or any other person to secure the discharge of all or any obligations and liabilities in connection with any facilities.

SENIOR NOTES

The Original Notes

On August 15, 2017, we entered into the Indenture pursuant to which we issued an aggregate principal amount of US\$225,000,000 8.5% senior notes due 2020. The Original Notes are listed on the SGX-ST. As of the date of this offering memorandum, the entire principal amount of the Original Notes remains outstanding. See "Description of the Notes."

DESCRIPTION OF THE NOTES

For purposes of this “Description of the Notes,” the term “Issuer” refers only to Gemstones International Limited (碧璽國際有限公司), a company incorporated with limited liability in the British Virgin Islands, and any successor obligor on the Notes, and not to any of its Subsidiaries, and the term “Company” refers only to LVGEM (China) Real Estate Investment Company Limited (綠景(中國)地產投資有限公司), a company incorporated in the Cayman Islands with limited liability, and any successor obligor on the Notes, and not to any of its Subsidiaries. The Company’s guarantee of the Notes is referred to as the “Parent Guarantee.” Each Subsidiary of the Company that guarantees the Notes (other than a JV Subsidiary Guarantor) is referred to as a “Subsidiary Guarantor” (together with the Company, the “Notes Guarantors”), and each such guarantee is referred to as a “Subsidiary Guarantee” (together with the Parent Guarantee, the “Notes Guarantees”). Each Subsidiary of the Company that in the future provides a JV Subsidiary Guarantee is referred to as a “JV Subsidiary Guarantor.”

The New Notes are to be issued under the indenture (the “Indenture”), dated as of the Original Issue Date, among the Issuer, the Company, the Subsidiary Guarantors and Citicorp International Limited, as trustee (the “Trustee”). Unless the context requires otherwise, the references in this section to “Notes” mean the New Notes and the Original Notes. The total principal amount of the New Notes to be issued is US\$175,000,000. Upon the issue of the New Notes, the aggregate principal amount of outstanding Notes will be US\$400,000,000.

The New Notes constitute additional notes under the Indenture and are identical in all respects to the Original Notes except for the issue date and issue price, and will be consolidated and form a single class with the Original Notes and vote together as one class on all matters with respect to the Notes.

The following is a summary of certain material provisions of the Indenture, the Notes, the Notes Guarantees and the JV Subsidiary Guarantees (if any). 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 Notes Guarantees and the JV Subsidiary Guarantees (if any). It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture are available for inspection at the corporate trust office of the Trustee located at 39/F, Champion Tower, 3 Garden Road, Central, Hong Kong.

BRIEF DESCRIPTION OF THE ISSUER

The Issuer:

- is a special-purpose financing vehicle established to issue the Notes; and
- has no operating activities other than acting as issuer of Indebtedness, including the Notes, and other activities in connection therewith.

See “Risk Factors — Risks Relating to the Notes Guarantees and the JV Subsidiary Guarantees — The Issuer is our wholly-owned subsidiary with no operations of its own and will be dependent upon payments from us under intercompany loans and/or pursuant to guarantees to meet its obligations under the Notes.”

BRIEF DESCRIPTION OF THE NOTES

The Notes are:

- general obligations of the Issuer;

- senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Issuer (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Notes Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to the limitations described under “– The Parent Guarantee” and “– The Subsidiary Guarantees and the JV Subsidiary Guarantees,” and in “Risk Factors – Risks Relating to the Notes Guarantees and the JV Subsidiary Guarantees”;
- effectively subordinated to the secured obligations (if any) of the Issuer, the Notes Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

The Notes will mature on August 15, 2020, unless earlier redeemed pursuant to the terms thereof and the Indenture. The Indenture allows additional Notes (including the New 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 (including the New Notes) that are actually issued. The Notes bear interest at 8.5% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears on February 15 and August 15 of each year (each an “Interest Payment Date”), commencing February 15, 2018.

Interest on the Notes will be paid to Holders of record at the close of business on January 31 and July 31 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.

Except as described under “Optional Redemption,” “Redemption for Tax Reasons” and otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity (unless they have been repurchased by the Issuer or the Company). In any case in which the date of the payment of principal of, premium or interest on the Notes is not a Business Day in the relevant place of payment or in the place of business of the Paying Agent, then payment of principal, premium or interest need not be made in such place on such date but may be made on the next succeeding Business Day in such place. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

The New 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 Issuer 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 Issuer at the office or agency of the Issuer maintained for that purpose (which currently is an office of the Paying Agent, currently located at

Citibank, N.A., London Branch, c/o Citibank, N.A., Dublin Branch, One North Wall Quay, Dublin 1, Ireland), and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that, at the option of the Issuer (if the Issuer is acting as the paying agent), payment of interest may be made by check mailed at the expense of the Issuer to the address of the Holders as such address appears in the Note register maintained by the Note Registrar (as defined herein) or by wire transfer. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

THE PARENT GUARANTEE

The Parent Guarantee is:

- a general obligation of the Company;
- senior in right of payment to all future obligations of the Company expressly subordinated in right of payment to the Parent Guarantee;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- effectively subordinated to the secured obligations of the Company, 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.

Under the Indenture, the Company guarantees the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The Company has (1) agreed that its obligations under the Parent Guarantee will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture (other than in respect of the Parent Guarantee) and (2) waived its right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Issuer prior to exercising its rights under the Parent Guarantee.

Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be repaid or restored, the rights of the Holders under the Parent Guarantee will be reinstated with respect to such payment as though such payment had not been made. All payments under the Parent Guarantee are required to be made in U.S. dollars.

Release of the Parent Guarantee

The Parent Guarantee may be released in certain circumstances, including:

- upon repayment in full of the Notes; and
- upon a defeasance as described under “– Defeasance – Defeasance and Discharge”.

THE SUBSIDIARY GUARANTEES AND THE JV SUBSIDIARY GUARANTEES

The initial Subsidiary Guarantors that executed the Indenture on the Original Issue Date consist of all of the Company’s Restricted Subsidiaries other than (i) the Issuer, (ii) those Restricted Subsidiaries

organized under the laws of the PRC (the “PRC Non-Guarantor Subsidiaries”) and (iii) Luminous Force Investments Limited, King Yu Holdings Limited, Luminous Force Holdings Limited, LVGEM International Corporation, LVGEM Management LLC, LVGEM Hotel Corporation, LVGEM (Trade Mark) Limited, Ao Sheng Holdings Limited, Ao Sheng Investments Limited, Zone Asia Investments Limited, Zone Asia Investments (HK) Limited, Prosper View Group Limited, Fu Wing (China) Limited, Sure Prestige International Limited, Wantuo Developments Limited and Pace Ascend Limited (such Restricted Subsidiaries in this clause (iii) are collectively referred to as the “Other Non-Guarantor Subsidiaries”). The Subsidiary Guarantors are holding companies that do not have significant operations. None of the existing or future Restricted Subsidiaries organized under the laws of the PRC provided or will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future.

In the case of a Restricted Subsidiary that is, or is proposed by the Company or any Restricted Subsidiary to be, established after the Original Issue Date, or any entity in respect of which the Company or any Restricted Subsidiary (x) in the case of a Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Restricted Subsidiary, or (y) in the case of any other entity is proposing to purchase the Capital Stock of an Independent Third Party such that it becomes a non-Wholly Owned Subsidiary of the Company and designate such Subsidiary as a Restricted Subsidiary, the Company may (in each case, to the extent such Restricted Subsidiary is not an Exempted Subsidiary, a Listed Subsidiary or incorporated in the PRC), concurrently with or as soon as practicable after the consummation of such establishment, sale, issuance, or purchase, cause (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC (other than Exempted Subsidiaries or Listed Subsidiaries) to provide a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee, if the following conditions, in the case of both (a) and (b), are satisfied:

- as of the date of execution of a JV Subsidiary Guarantee (as defined below), no document exists that is binding on the Company or any Restricted Subsidiary that would have the effect of (a) prohibiting the Company or any Restricted Subsidiary from providing a JV Subsidiary Guarantee or (b) requiring the Company or any Restricted Subsidiary to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to, or such purchases of Capital Stock is made from, an Independent Third Party at a consideration that is not less than (in the case of a sale or issuance) or no more than (in the case of a purchase) the Fair Market Value of such Capital Stock;
- concurrently with 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 (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
 - (ii) an Officers’ Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and

- (iii) an Opinion of Counsel by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantees are valid, binding and enforceable against the JV Subsidiary Guarantors providing such JV Subsidiary Guarantees (subject to customary qualifications and assumptions).

As of June 30, 2017, the Company and its consolidated subsidiaries had total indebtedness of RMB13,241.6 million (US\$1,953.2 million), of which approximately RMB9,992 million (US\$1,473.9 million) was secured.

As of June 30, 2017, the Non-Guarantor Subsidiaries had total indebtedness of approximately RMB12,012.2 million (US\$1,771.9 million) and the Non-Guarantor Subsidiaries had capital commitments of approximately RMB1,787.5 million (US\$263.7 million) and contingent liabilities of approximately RMB575.6 million (US\$84.9 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 all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

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

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

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, Exempted Subsidiaries or Listed Subsidiaries), as soon as practicable after it becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will Guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing, the Company may elect to have any future Restricted Subsidiary (and its Restricted Subsidiaries) organized outside the PRC not provide a Subsidiary Guarantee or JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary, *provided* that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries or Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 20.0% of Total Assets as of the date such Person becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary. Each such Restricted Subsidiary and its Restricted Subsidiaries organized outside the PRC that do not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee will also be referred to as Other Non-Guarantor Subsidiaries.

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than 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.” The Other Non-Guarantor Subsidiaries, together with the PRC Non-Guarantor Subsidiaries, are referred to herein as the “Non-Guarantor Subsidiaries.”

Although the Indenture contains limitations on the amount of additional Indebtedness that Non-Guarantor Subsidiaries may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) jointly and severally guarantees the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes; *provided* that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and the JV Subsidiary Guarantors have (1) agreed that their respective obligations under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waived their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Issuer or the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee is 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 is 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 a JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such Indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors — Risks Relating to the Notes Guarantees and the JV Subsidiary Guarantees — The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees."

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; or
- upon the sale, disposition or merger of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants described under "– Certain Covenants – Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "– Certain Covenants – Limitation on Asset Sales" and "– Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale, disposition or merger 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 in compliance with the terms of the Indenture; or
- in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor that becomes an Other Non-Guarantor Subsidiary, in compliance with the terms of the Indenture.

In the case of a Subsidiary Guarantor with respect to which the Company or any Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20.0% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with the consummation of such sale or issuance of Capital Stock, instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized outside the PRC (other than existing Non-Guarantor Subsidiaries) will become Other Non-Guarantor Subsidiaries (such that they will no longer Guarantee the Notes), 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 or Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors (including such Other Non-Guarantor Subsidiaries) do not account for more than 20.0% of Total Assets. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if as of the date of such proposed release, no document exists that is binding on the Issuer, the Company or such Restricted Subsidiary that would have the effect of (a) prohibiting the Issuer, the Company or such Restricted Subsidiary from releasing such Subsidiary Guarantee or (b) requiring the Issuer, the Company or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Issuer or the Company by such Subsidiary Guarantor.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officer's Certificate stating that all requirements relating to such release have been complied with and that such release is authorized and permitted by the Indenture.

REPLACEMENT OF SUBSIDIARY GUARANTEES WITH JV SUBSIDIARY GUARANTEES

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released and replaced by a JV Subsidiary Guarantee following the sale or issuance by the Company or any Restricted Subsidiary of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares is for no less than 20% of the issued Capital Stock of the relevant Subsidiary Guarantor, *provided* that the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or such Restricted Subsidiary that would have the effect of (a) prohibiting the Company or such Restricted Subsidiary from releasing such Subsidiary Guarantee, (b) prohibiting the Company or such Restricted Subsidiary from providing such JV Subsidiary Guarantee or (c) requiring the Company or such Restricted Subsidiary to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the recipient of the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to an Independent Third Party at a consideration that is not less than the Fair Market Value of such Capital Stock;
- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
 - (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the

laws of the PRC, and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

- (ii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
- (iii) an Opinion of Counsel by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including the covenants described under “– Certain Covenants – Limitation on Asset Sales” and “– Certain Covenants – Limitation on Restricted Payments.”

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 this offering memorandum, all of the Company's Subsidiaries are “Restricted Subsidiaries.” However, under the circumstances described under “– Certain Covenants – Designation of Restricted and Unrestricted Subsidiaries,” the Company will be permitted to designate certain of its Subsidiaries as “Unrestricted Subsidiaries.” The Company's Unrestricted Subsidiaries are generally not subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries do not Guarantee the Notes.

FURTHER ISSUES

Subject to the covenants described below and in accordance with the terms of the Indenture, the Issuer 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 Notes 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 by the covenant described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock.”

OPTIONAL REDEMPTION

At any time prior to August 15, 2020, the Issuer may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor any of the Agents will be responsible for calculating or verifying the Applicable Premium.

At any time and from time to time prior to August 15, 2020, the Issuer 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 108.5% 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 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 Issuer will give not less than 30 days' nor more than 60 days' notice of any redemption. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

- (1) if the Notes are listed on any national securities exchange and/or being held through the clearing systems, in compliance with the requirements of the principal national securities exchange on which the Notes are listed or the requirements of the clearing systems, as applicable; or
- (2) if the Notes are not listed on any national securities exchange and/or held through the clearing systems, on a pro rata basis, by lot or by such other method as the Trustee in its sole and absolute discretion deems fair and appropriate, unless otherwise required by law.

A Note of US\$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. With respect to any certificated Note, a new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

REPURCHASE OF NOTES UPON A CHANGE OF CONTROL TRIGGERING EVENT

Not later than 30 days following a Change of Control Triggering Event, the Issuer or 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.

Each of the Issuer and 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 Issuer and Company, it is important to note that if the Issuer or the Company, as the case may be, 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 Issuer's or the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes may also constitute an event of default under certain other debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Issuer or 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 Issuer or 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 such purchase on the Issuer or the Company. The Issuer's or 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 Issuer's, the Company's and the Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors — Risks Relating to the Notes — We may not be able to repurchase the Notes upon a Change of Control Triggering Event."

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 Issuer or 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 Issuer or 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 Issuer or the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event or any event which could lead to a Change of Control Triggering Event has occurred or may occur and shall not be liable to any person for any failure to do so. The Trustee shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Company. The Trustee shall not be required to take any steps to ascertain whether the condition for the exercise of the rights herein has occurred. The Trustee shall not be responsible for determining or verifying whether a Note is to be accepted for redemption and will not be responsible to the Holders for any loss arising from any failure by it to do so. The Trustee shall not be under any duty to determine, calculate or verify the redemption amount payable hereunder and will not be responsible to the Holders for any loss arising from any failure by it to do so.

NO MANDATORY REDEMPTION OR SINKING FUND

There will be no mandatory redemption or sinking fund payments for the Notes.

ADDITIONAL AMOUNTS

All payments of principal of, and premium (if any) and interest on the Notes or under the Notes 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 Issuer, the Company, a Surviving Person (as defined under "– Consolidation, Merger and Sale of Assets") or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein), including, without limitation, the PRC (each, as applicable, a "Relevant

Jurisdiction”), or any jurisdiction through which payments are made, 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 Issuer, 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 or the jurisdiction through which payments are made, other than merely holding such Note or the receipt of payments thereunder or under a Notes 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, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;
 - (iii) the failure of the Holder or beneficial owner to comply with a timely request of the Issuer, the Company, a Surviving Person, any Subsidiary Guarantor or any JV Subsidiary Guarantor addressed to the Holder, to provide information concerning such Holder’s or its beneficial owner’s nationality, residence, identity or connection with any Relevant Jurisdiction or the jurisdiction through which payments are made, if and to the extent that due and timely compliance with such request is required under the tax laws of such jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or
 - (iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction or the jurisdiction through which payments are made, unless such Note could not have been presented for payment elsewhere;
 - (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
 - (c) any tax, assessment or other governmental charge that is payable otherwise than by withholding or deduction from payments of principal, premium (if any) and interest on the Notes or from payments under the Notes Guarantees or JV Subsidiary Guarantees (if any);

- (d) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended (“FATCA”), any current or future Treasury Regulations or rulings promulgated thereunder, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or
 - (e) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b), (c) and (d); or
- (2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction or the jurisdiction through which payments are made, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Notes 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.

The Paying Agent and the Trustee will make payments free of withholdings or deductions on account of taxes unless required by applicable law. If such a deduction or withholding is required, the Paying Agent or Trustee will not be obligated to pay any Additional Amount to the recipient unless such an Additional Amount is received by the Paying Agent or the Trustee in accordance with the Indenture.

REDEMPTION FOR TAXATION REASONS

The Notes may be redeemed, at the option of the Issuer, 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 (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 Issuer, the Company or the Surviving Person, as the case may be, for redemption (the “Tax Redemption Date”) if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or
- (2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment is proposed and becomes effective (or in the case of an official position, is announced) (i) with respect to the Issuer, 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, a JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Issuer, the Company,

a Surviving Person, a Subsidiary Guarantor or a 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 Issuer, the Company, the Surviving Person, a Subsidiary Guarantor or a 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 Issuer, the Company, the Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the giving of any notice of redemption of the Notes pursuant to the foregoing, the Issuer, the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

- (1) an Officers' Certificate stating that such change, amendment or statement of an official position referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Issuer, 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 Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change, amendment or statement of an official position referred to in the prior paragraph.

The Trustee shall and shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above without further verification, in which event it shall be conclusive and binding on the Holders, and will not be responsible for any loss occasioned by acting in reliance on such certificate and opinion.

Any Notes that are redeemed will be cancelled.

CERTAIN COVENANTS

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

- (1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, *provided* that the Issuer, the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Non-Guarantor Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would not be 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 of Restricted Subsidiaries held by the Company or a Subsidiary Guarantor, so long as it is so held).
- (2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following ("Permitted Indebtedness"):
 - (a) Indebtedness under the Notes (excluding any Additional Notes) and each Notes Guarantee and JV Subsidiary Guarantee;

- (b) any *Pari Passu* Guarantees;
- (c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d) below; *provided* that such Indebtedness of Non-Guarantor Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness;
- (d) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; *provided* that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Issuer or the Company is the obligor on such Indebtedness, such Indebtedness must expressly be subordinated in right of payment to the Notes in the case of the Issuer, or the Parent Guarantee, in the case of the Company, and if a Subsidiary Guarantor or a JV Subsidiary Guarantor is the obligor on such Indebtedness and the Issuer or the Company is not the obligee, such Indebtedness must be expressly subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be;
- (e) Indebtedness of the Company or any Restricted Subsidiary (“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 Incurred under the immediately preceding paragraph (1) or clause (a), (b), (c), (h), (n), (p), (q), (r), (s), (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 Notes 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 Notes 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 *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Notes 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 Notes 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 Notes 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 Notes 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 Issuer, 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 the Issuer, a Subsidiary Guarantor or a JV Subsidiary Guarantor, and (iv) in no event may Indebtedness of the Issuer, the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor;

- (f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations designed to reduce or manage the exposure of the Company or any Restricted Subsidiary to fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;
- (h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in a Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary in a Permitted Business; *provided* that, in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such asset, property or equipment or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (h) (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under this clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate amount outstanding of all Indebtedness permitted and then outstanding under clauses (p), (q), (r), (u), (v), (w) or (x) below (together with any refinancings thereof) does not exceed an amount equal to 20.0% of Total Assets;
- (i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);
- (j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than 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 shall at no time exceed the gross proceeds actually received by the Company or any Restricted Subsidiary from the disposition of such business, assets or Restricted Subsidiary;

- (l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business, *provided* that such Indebtedness is extinguished within five Business Days of Incurrence;
- (m) (i) Guarantees by the Issuer, the Company or any Subsidiary Guarantor of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant (ii) Guarantees by any Restricted Subsidiary of Indebtedness of another Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant or (iii) Guarantees by any JV Subsidiary Guarantor of Indebtedness of any other JV Subsidiary Guarantor that is a direct or indirect Subsidiary or parent of such JV Subsidiary Guarantor, which Indebtedness was permitted to be Incurred by another provision of this covenant;
- (n) Indebtedness of the Company or any Restricted Subsidiary maturing within one year 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 (together with financings thereof) does not exceed US\$30.0 million (or the Dollar Equivalent thereof);
- (o) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement, 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 and becomes obligated to pay such deferred purchase price pursuant to such Staged Acquisition Agreement;
- (p) Indebtedness Incurred or Preferred Stock issued by the Company or any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a Restricted Subsidiary; *provided* that, on the date of Incurrence of all such Indebtedness or issuance of such Preferred Stock and after giving effect thereto, the sum of (1) the aggregate amount outstanding of all Indebtedness and Preferred Stock permitted under this clause (p) plus (2) the aggregate principal amount outstanding of all Indebtedness permitted under clause (h) above and clauses (q), (r), (u), (v), (w) and (x) below (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 20.0% of Total Assets;
- (q) Bank Deposit Secured Indebtedness Incurred by the Company or any Restricted Subsidiary; *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (q) (together with any refinancings thereof), plus (2) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to clauses (h) and (p) above and clauses (r), (u), (v), (w) and (x) below (together with any refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 20.0% of Total Assets;
- (r) Indebtedness Incurred by any Restricted Subsidiary which is secured by Investment Properties; *provided* that, on the date of the Incurrence of all such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (r) (together with any refinancings thereof), plus (2) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to clauses

- (h), (p) and (q) above and clauses (u), (v), (w) and (x) below (together with any refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 20.0% of Total Assets;
- (s) 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\$20.0 million (or the Dollar Equivalent thereof);
 - (t) Indebtedness Incurred by the Company or a Restricted Subsidiary constituting a Subordinated Shareholder Loan;
 - (u) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than the Company or a Restricted Subsidiary) by the Company or such Restricted Subsidiary; *provided* that, on the date of the Incurrence of all such Indebtedness and after giving effect thereto, (1) the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (u) (together with any refinancings thereof), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p) and (q) above and clauses (v), (w) and (x) below (together with any refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 20.0% 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 (A) 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 (B) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); *provided* that, on the date of the Incurrence of all such Indebtedness and after giving effect thereto, (1) the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (v) (together with any refinancings thereof), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p), (q) and (u) above and clauses (w) and (x) below (together with any refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 20.0% of Total Assets;
 - (w) Indebtedness Incurred by the Company or any Restricted Subsidiary under Credit Facilities; *provided* that, on the date of the Incurrence of all such Indebtedness and after giving effect thereto, (1) the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (w) (together with any refinancings thereof), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p), (q), (u) and (v) above and clause (x) below (together with any refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 20.0% of Total Asset; and
 - (x) 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 and becomes obligated to pay such deferred purchase price pursuant to such Minority Interest Staged Acquisition Agreement; *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto, (1) the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (x) (together with refinancings thereof), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p), (q), (u), (v) and (w) above (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 20.0% of Total Assets.

- (3) For purposes of determining compliance with this “Limitation on Indebtedness and Preferred Stock” covenant, in the event that an item of Indebtedness or Preferred Stock meets the criteria of more than one of the types of Indebtedness or Preferred Stock described above, including under the proviso in paragraph (1) above, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness or Preferred Stock as one or more of such types.
- (4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred or Preferred Stock that may be issued pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “Restricted Payments”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any Restricted Subsidiary’s Capital Stock (other than dividends or distributions payable or paid solely in shares of the Company’s or any Restricted Subsidiary’s Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Restricted Subsidiary;
- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Restricted Subsidiary other than the purchase of Capital Stock of a 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 Notes Guarantee or JV Subsidiary Guarantee (excluding any intercompany Indebtedness between or among the Company and any Restricted Subsidiary); or
- (4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in paragraph (1) of the covenant described under “– Limitation on Indebtedness and Preferred Stock”;
- (c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after the Original Issue Date (excluding Restricted Payments permitted by clauses (2), (3), (4), (5) (to the extent such Restricted Payment is made to the Company or a Restricted Subsidiary), (6) and (7)) of the immediately following paragraph), shall exceed the sum (without duplication) 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 fiscal quarter during which the Original Issue Date occurs 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 Original Issue Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Restricted Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Restricted Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus
 - (iii) the amount by which Indebtedness of the Company or any Restricted Subsidiary is reduced on the Company’s consolidated balance sheet upon the conversion or exchange (other than by a Restricted Subsidiary of the Company) subsequent to the Original Issue Date of any Indebtedness of the Company or any Restricted Subsidiary convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus
 - (iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Original Issue 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 Original Issue Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date of an obligation of another Person, (C) to the extent that an Investment made after

the Original Issue Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person; plus

(v) US\$20.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Issuer, the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or sale (other than to a Restricted Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Issuer, the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Issuer, the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (5) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a pro rata basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary;
- (6) (A) the repurchase, redemption or other acquisition or retirement for value of the Capital Stock of the Company or any Restricted Subsidiary (directly or indirectly, including through any trustee, agent or nominee) in connection with an employee benefit plan, and any corresponding Investment by the Company or any Restricted Subsidiary in any trust or similar arrangements to the extent of such repurchased, redeemed, acquired or retired Capital Stock, or (B) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary held by an employee benefit plan of the Company or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the

Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing); *provided* that the aggregate consideration paid for all such repurchased, redeemed, acquired or retired Capital Stock shall not exceed US\$1.0 million (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination);

- (7) repurchases of Capital Stock deemed to occur upon the exercise of stock options if such Capital Stock represents a portion of the exercise price thereof;
- (8) dividends or other distributions paid to, or the purchase of Capital Stock of any Restricted Subsidiary held by, any Trust Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred or issued under clause (2)(p) of the covenant described under the caption “– Limitation on Indebtedness and Preferred Stock”;
- (9) cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Company; *provided* that any such cash payment shall not be for the purpose of evading the limitation of this “Limitation on Restricted Payments” covenant (as determined in good faith by the Board of Directors of the Company);
- (10) the purchase by the Company or a Restricted Subsidiary of Capital Stock of any Restricted Subsidiary that is not Wholly Owned, directly or indirectly, by the Company from an Independent Third Party pursuant to an agreement entered into between/among the Company or any Restricted Subsidiary and such Independent Third Party solely for the purpose of acquiring real property or land use rights, *provided* that (A) such purchase occurs within 12 months after such Restricted Subsidiary acquires the real property or land use rights it was formed to acquire and (B) 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;
- (11) the payment of any dividend or distribution payable or paid in Capital Stock (other than Disqualified Stock or Preferred Stock) of any Unrestricted Subsidiary or in options, warrants or other rights to acquire shares of such Capital Stock;
- (12) the declaration and payment of dividends on the Common Stock of the Company by the Company in an aggregate amount not to exceed 20.0% of profit for year based on the consolidated financial statements of the Company for any fiscal year after the Original Issue Date;
- (13) payments, including distributions, made under or in connection with any Perpetual Bond Obligation pursuant to the terms thereof or in connection with a repurchase or redemption thereof; or
- (14) 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;

provided that, in the case of clause (2), (3) or (4) of this paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities (other than any Restricted Payments set forth in clauses (5) through (14) above and any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Restructuring Group in connection with the Restructuring upon designation of such Subsidiaries as Unrestricted Subsidiaries (to the extent such Investment does not constitute a Permitted Investment pursuant to clause (19) of the definition thereof)), must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US\$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US\$10.0 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) through (14) above and any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Restructuring Group in connection with the Restructuring upon designation of such Subsidiaries as Unrestricted Subsidiaries (to the extent such Investment does not constitute a Permitted Investment pursuant to clause (19) of the definition thereof)) the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "– Limitation on Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

- (1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
 - (a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
 - (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
 - (c) make loans or advances to the Company or any other Restricted Subsidiary; or
 - (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary;

provided that for the avoidance of doubt the following shall not be deemed to constitute such an encumbrance or restriction: (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Company and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's length basis.

- (2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:
- (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Notes Guarantees, the JV Subsidiary Guarantees or the Indenture or under any Pari Passu Guarantee or any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor Guaranteed by any Pari Passu Guarantee, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (b) existing under or by reason of applicable law, rule, regulation or order;
 - (c) with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (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 of the type described under clause (2)(h), (o), (p), (q), (r), (u), (v), (w) or (x) or permitted under clause (n) or (s) of the “Limitation on Indebtedness and Preferred Stock” covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Issuer to make required payment on the Notes and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

- (g) existing in customary provisions in joint venture agreements and other similar agreements, to the extent such encumbrance or restriction relates to the activities or assets of the Company or a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Issuer to make the required payments on the Notes, or (y) any Notes Guarantor or JV Subsidiary Guarantor to make required payments under its Notes Guarantee or JV Subsidiary Guarantee; or
- (h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, pro rata to its shareholders or incorporators or on a basis more favorable to the Company and its Restricted Subsidiaries;
- (2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made by the covenant described under “– Limitation on Restricted Payments” if made on the date of such issuance or sale and *provided* that the Company complies with the “– Limitation on Asset Sales” covenant; or
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the “Limitation on Asset Sales” covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not the Issuer, a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness (“Guaranteed Indebtedness”) of the Issuer, Company, any Subsidiary Guarantor or any 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 are permitted by clauses (2)(c), (d) or (q) (in the case of (2)(q), with respect to the Guarantee provided by any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor through the pledge of cash deposits, bank accounts or other assets to secure (or the use of any Guarantee, letter of credit or similar instrument to Guarantee), directly, or indirectly, any Bank Deposit Secured Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor) under “– Limitation on Indebtedness and Preferred Stock.”

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes, any Notes 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 Notes Guarantee or JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes, any Notes Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Notes, the Notes 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 Notes Guarantee or the JV Subsidiary Guarantee.

The Company will not permit any JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness of the Company or any other Restricted Subsidiary unless the aggregate claims of the creditor under such Guarantee will be limited to the JV Entitlement Amount. If any JV Subsidiary Guarantor Guarantees any Indebtedness of the Company or any other Restricted Subsidiary where the aggregate claims of the creditor under such Guarantee exceeds the JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee 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 10.0% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an “Affiliate Transaction”), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and

- (2) the Company delivers to the Trustee:
 - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion no later than the consummation of the transaction, as to the fairness to the Company or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued or confirming that the terms of such Affiliate Transaction are no less favourable to the Company or the relevant Restricted Subsidiary than terms available to (or from, as applicable) a Person that is not an Affiliate of the Company by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees and other reasonable and customary compensation to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;
- (2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clause (1), (2) or (3) of the first paragraph of the covenant described under “– Limitation on Restricted Payments” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option or other incentive scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme;
- (6) any employment, consulting, service or termination agreement, or reasonable and customary indemnification arrangements, entered into by the Company or any of its Restricted Subsidiaries with directors, officers, employees and consultants in the ordinary course of business and the payment of compensation pursuant thereto;
- (7) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in the Restructuring Group entered into in connection with the proposed Restructuring, including but not limited to transactions entered into for purposes of any reorganization in connection with the proposed Restructuring and the entry into, and the performance thereof, of any underwriting agreement or other transaction documents in connection with the proposed Restructuring;

- (8) 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 proposed 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 proposed Restructuring and in compliance with the rules of the relevant Qualifying Exchange;
- (9) for as long as the Common Stock of the Company remains listed on The Stock Exchange of Hong Kong Limited, any transaction between Permitted Holders on the one hand and the Company or any Restricted Subsidiary on the other hand which is conducted in compliance with the applicable listing rules of The Stock Exchange of Hong Kong Limited; and
- (10) any repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary pursuant to clause (6) or (7) (to the extent such Restricted Payment would constitute Affiliate Transaction) of the second paragraph of the covenant entitled “– Limitation on Restricted Payments”.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than Permitted Investments) not prohibited by the “Limitation on Restricted Payments” covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in the offering memorandum relating to the Original Notes, 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 (iii) any transaction between or among the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries or between or among the Company or a Restricted Subsidiary on the one hand and a Minority Joint Venture or an Unrestricted Subsidiary on the other hand; *provided* that in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business and (b) none of the shareholders or partners (other than the Company or any Restricted Subsidiary) of or in such Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such other shareholder or other partner being an officer or director of such Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary).

Limitation on Liens

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are secured equally and ratably with (or, if the obligation or liability to be secured by such Lien is subordinated in right of payment to the Notes, prior to) the obligation or liability secured by such Lien, for so long as such obligation or liability is secured by such Lien.

In the event that one or more Liens (and documents relating thereto) are to be established or maintained to effect equal and ratable security arrangements in respect of the Notes (as contemplated under the preceding paragraph) with regards to Indebtedness proposed to be or previously Incurred by the Issuer, the Company or any Subsidiary Guarantor in compliance with the terms of the Indenture, the Issuer, the Company or such Subsidiary Guarantor may instruct the Trustee to directly, or through its Affiliates (in its capacity as Trustee or that of a collateral agent on such terms as it shall require) and without the consent of any Holders, (a) enter into one or more intercreditor agreements, pledge agreements, collateral and security agreements or other arrangements intended to effect the shared security arrangements

contemplated by this paragraph among holders of such Indebtedness and (b) complete or facilitate the completion by itself or other parties of filings, registrations or other actions necessary to effect or perfect the relevant Liens or related arrangements.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; *provided* that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Company or such Restricted Subsidiary, as the case may be, could have (a) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described under “– Limitation on Indebtedness and Preferred Stock” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described under “– Limitation on Liens,” in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of such Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in such Sale and Leaseback Transaction is permitted by, and the Company or such Restricted Subsidiary, as the case may be, applies the proceeds of such transaction in compliance with, the covenant described under “– Limitation on Asset Sales.”

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; 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\$10.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized 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 Notes Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and
 - (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Cash Proceeds to:

- (1) permanently repay Senior Indebtedness of the Issuer, the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not the Issuer or a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce permanently commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or
- (2) acquire Replacement Assets.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US\$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceed US\$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Issuer or 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.

Pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above, the Company or any Restricted Subsidiary may make an Investment in cash or Temporary Cash Investments.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to (but not including) the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use such Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered into (or required to be prepaid or redeemed in connection with) such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a pro rata basis based on the principal amount of Notes and such other *pari passu* Indebtedness tendered (or required to be prepaid or redeemed). Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Company's Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; *provided, however*, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than a Permitted Business as long as any Investment therein was not prohibited when made by the covenant under the caption "– Limitation on Restricted Payments."

Limitation on the Issuer's Activities

Notwithstanding anything contained in the Indenture to the contrary, the Issuer will not engage in any business activity or undertake any other activity, except any activity (a) relating to the offering, sale or issuance of the Notes, the incurrence of Indebtedness represented by the Notes or any Additional Notes issued under the Indenture (if such offering, sale or issuance is permitted under the Indenture), (b) relating to the offering, sale or issuance of debt obligations similar to the Notes in the future and the incurrence of Indebtedness represented by such debt obligations, (c) contributing to, lending to or otherwise using the proceeds of the issuance of Indebtedness referred to in clause (a) or (b) Incurred by the Issuer to fund the activities of the Company or any Restricted Subsidiary or the making of any Temporary Cash Investments with such proceeds, (d) undertaken with the purpose of fulfilling any obligations under the Indebtedness referred to in clause (a) or (b) or the Indenture or any future indenture or similar document related to such Indebtedness or for purposes of any consent solicitation or tender for such Indebtedness or refinancing of such Indebtedness or (e) directly related to the establishment and/or maintenance of the Issuer's corporate existence.

The Issuer will not (a) issue any Capital Stock other than the issuance of its ordinary shares to the Company or (b) acquire or receive any property or assets (including, without limitation, any Capital Stock or Indebtedness of any Person), other than (x) any intercompany Indebtedness owed by the Company or any Restricted Subsidiary to the Issuer in respect of the borrowing of the proceeds of the issuance of Indebtedness by the Issuer or payments in respect thereof, (y) cash for ongoing corporate activities of the Issuer described in the preceding paragraph or (z) any Notes acquired in connection with a redemption or repurchase permitted by the Indenture.

The Issuer will at all times remain, directly or indirectly, a Wholly Owned Restricted Subsidiary of the Company.

For so long as any Notes are outstanding, the Issuer will not, and the Company will procure that none of the Restricted Subsidiaries will, commence or take any action to cause a winding-up or liquidation of the Issuer, except that the Issuer may be wound up or liquidated subsequent to a consolidation, merger or transfer of assets conducted in accordance with the first paragraph of the covenant described under “– Consolidation, Merger and Sale of Assets.”

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 “Use of Proceeds” in this offering memorandum (or in the case of 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 (other than the Issuer) to be an Unrestricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary provides credit support for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted

Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under “– Limitation on Indebtedness and Preferred Stock” or such Lien would violate the covenant described under “– Limitation on Liens”; (4) 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 (5) 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 Restructuring Group upon the designation of the Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries in connection with the proposed Restructuring, provided that (i) the Board of Directors of the Company has determined in good faith that the designation of the Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries is necessary to obtain approval from a Qualifying Exchange for the proposed Restructuring, and (ii) immediately prior to the designation of the Restructuring Group as Unrestricted Subsidiaries, the Consolidated Assets of the Restructuring Group shall be no more than 5% of Total Assets).

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under “– Limitation on Indebtedness and Preferred Stock”; (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under “– Limitation on Liens”; (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); and (5) if such Restricted Subsidiary is not organized under the laws of the PRC and is not an Other Non-Guarantor Subsidiary, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor in accordance with the terms under the Indenture.

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Issuer, any Notes Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Notes Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not Incur, and will not permit the Issuer or 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 Issuer, 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 Parent Guarantee, 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) “– Limitation on Indebtedness and Preferred Stock”;
- (2) “– Limitation on Restricted Payments”;
- (3) “– Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries”;
- (4) “– Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries”;
- (5) “– Limitation on Issuances of Guarantees by Restricted Subsidiaries”;
- (6) “– Limitation on the Company’s Business Activities”;
- (7) “– Limitation on Sale and Leaseback Transactions”;
- (8) “– Limitation on Asset Sales”; and
- (9) clauses (3), (4) and (5)(x) of the first and second paragraphs of “– Consolidation, Merger and Sale of Assets.”

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any Restricted Subsidiary as an Unrestricted Subsidiary pursuant to the covenant described under “– Designation of Restricted and Unrestricted Subsidiary” 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 described under “– Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of Financial Statements and Reports

- (1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's ordinary shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:
 - (a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis and in the English language) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP and 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 fiscal quarter of the Company, copies of its financial statements (on a consolidated basis and in the English language) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP and 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 fiscal quarters of the Company, copies of its unaudited financial statements (on a consolidated basis and in the English language), including a statement of income, balance sheet and cash flow statement prepared in accordance with GAAP, and prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.
- (2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee
 - (a) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the four most recent fiscal quarter 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 certificate if its external auditors refuse to provide such certificate as a result of a policy of such external auditors not to provide such certificate; and
 - (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

EVENTS OF DEFAULT

The following events will be defined as “Events of Default” in the Indenture:

- (1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;
- (3) default in the performance or breach of the provisions of the covenants described under “– Consolidation, Merger and Sale of Assets,” the failure by the Issuer or the Company to make or consummate an Offer to Purchase in the manner described under “– Repurchase of Notes upon a Change of Control Triggering Event” or “– Certain Covenants – Limitation on Asset Sales”;
- (4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Holders of 25% or more in aggregate principal amount of the Notes then outstanding or by the Trustee at the direction of such Holders;
- (5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$15.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;
- (6) one or more final judgments or orders for the payment of money are rendered against the Company or any Restricted Subsidiary and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$15.0 million (or the Dollar Equivalent thereof)), in excess of amounts which the Company’s insurance carriers have unconditionally 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 Issuer, the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a 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 Issuer, the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary) or for any substantial part of the property and assets of the Issuer, the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a 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 Issuer, the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary) under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

- (8) the Issuer, the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a 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 Issuer, the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary) or for all or substantially all of the property and assets of the Issuer, the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a 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); or
- (9) any Notes Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Notes Guarantee or JV Subsidiary Guarantee or, except as permitted by the Indenture, any Notes Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Issuer and the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written direction of such Holders (subject to being indemnified and/or secured to its satisfaction) 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 Issuer, the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a 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 Issuer and the Company and to the Trustee may, on behalf of the Holders of the 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 shall, upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, 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.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to the Trustee being indemnified and/or secured to its satisfaction in advance of the proceedings. However, the Trustee may refuse to follow any direction that conflicts with applicable law or regulations or the Indenture, or that may involve the Trustee in personal liability and may take any other action it deems proper that is not inconsistent with any written direction received from Holders. In addition, the Trustee will not be required to expend its own funds in following such direction if it does not believe that reimbursement or satisfactory indemnification and/or security is assured to it.

A Holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written direction to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity and/or security satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with written such request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the written request and the offer of indemnity and/or security; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note or any payment under the Notes Guarantee or JV Subsidiary Guarantee, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company's and its Restricted Subsidiaries' performance under the Indenture and that the Company and its Restricted Subsidiaries have fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and

the nature and status thereof. The Company will also be obligated to notify the Trustee in writing of any default or defaults in the performance of any covenants or agreements under the Indenture. See “— Certain Covenants — Provision of Financial Statements and Reports.”

The Trustee and the Agents need not do anything to ascertain whether any Event of Default has occurred or is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and, the Trustee or the Agents may assume that no such event has occurred and that the Issuer or the Company is performing all its obligations under the Indenture and the Notes unless the Trustee has received written notice of the occurrence of such event or facts establishing that the Issuer or the Company is not performing all of its obligations under the Indenture and the Notes. The Trustee is entitled to conclusively rely, without liability, on any Opinion of Counsel or Officers’ Certificate regarding whether an Event of Default has occurred.

CONSOLIDATION, MERGER AND SALE OF ASSETS

The Issuer will not consolidate with, merge with or into, another Person (other than the Company), permit any Person (other than the Company) to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets (as an entirety or substantially an entirety in one transaction or a series of related transactions) to any Person (other than the Company); *provided* that, in the event the Issuer so consolidates with, merges with or into, the Company or sells, conveys, transfers, leases or otherwise disposes of all or substantially all of its properties and assets to the Company, the Company immediately after such transaction will (a) assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Issuer under the Indenture and the Notes, which shall remain in full force and effect and (b) deliver to the Trustee an Officers’ Certificate and an Opinion of Counsel, in each case stating that such transaction and such supplemental indenture complies with this provision and that all conditions precedent provided for herein relating to such transaction have been complied with.

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries’ properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person, unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the “Surviving Person”) shall be a corporation organized and validly existing under the laws of the Cayman Islands, the British Virgin Islands or Hong Kong and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture and the Notes, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Notes, as the case may be, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

- (4) immediately after giving effect to such transaction on a pro forma basis the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under paragraph (1) of the covenant described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”;
- (5) the Company delivers to the Trustee (x) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) 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 “– 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 or 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 another JV Subsidiary Guarantor, the Company or another Subsidiary Guarantor), unless:

- (1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor); and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture and the Notes, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Notes, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US\$1.00 of Indebtedness under paragraph (1) of the covenant under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock;”

- (5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) 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 and the JV Subsidiary Guarantees – Release of the Subsidiary Guarantees and the JV Subsidiary Guarantees."

For the avoidance of doubt, for purposes of this covenant, a sale of shares of Capital Stock of a Non-Guarantor Subsidiary which holds all or substantially all properties and assets of the Company or the relevant Subsidiary Guarantor or JV Subsidiary Guarantor to Independent Third Parties in an initial public offering and listing on a stock exchange of the shares of Capital Stock of such Non-Guarantor Subsidiary where such Non-Guarantor Subsidiary (i) remains a Restricted Subsidiary immediately after such sale and (ii) the Company or the relevant Subsidiary Guarantor or JV Subsidiary Guarantor, immediately after such sale, owns at least 30.0% of the Voting Stock of such Non-Guarantor Subsidiary shall not constitute a sale of substantially all properties and assets of the Company or the relevant Subsidiary Guarantor or JV Subsidiary Guarantor.

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.

NO PAYMENTS FOR CONSENTS

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes in connection with an exchange or tender offer, the Company and any Restricted Subsidiary may exclude (i) Holders or beneficial owners of the Notes that are not institutional "accredited investors" as defined in

Rule 501 under the Securities Act, and (ii) Holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Company or any Restricted Subsidiary to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, Holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion.

DEFEASANCE

Defeasance and Discharge

The Indenture provides that the Issuer will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

- (1) the Issuer (a) has deposited with the Trustee (or its agent), in trust, money and/or U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the Notes and (b) has delivered 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 Issuer is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;
- (2) the Issuer 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 Restricted Subsidiary is a party or by which the Company or any Restricted Subsidiary is bound.

In the case of either discharge or defeasance of the Notes, the Notes Guarantees and the JV Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture further provides that the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under “-Consolidation, Merger and Sale of Assets” and all the covenants described herein under “- Certain Covenants,” other than as described under “- Certain Covenants-Government Approvals and Licenses; Compliance with Law” and “- Certain Covenants-Anti-Layering,” clause (3) under “Events of Default” with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under “Consolidation, Merger and Sale of Assets” and with respect to the other events set forth in such clause, clause (4) under “Events of Default” with respect to such other covenants and clauses (5) and (6) under “Events of Default” shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2) of the preceding paragraph and the delivery by the Issuer to the Trustee of an Opinion of Counsel of recognized international standing with respect to U.S. federal income tax matters to the effect that beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance of certain covenants and Events of Default and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred.

Defeasance and Certain Other Events of Default

In the event that the Issuer exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Issuer, the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors will remain liable for such payments.

AMENDMENTS AND WAIVER

Amendments Without Consent of Holders

The Indenture may be amended, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture or the Notes; *provided* that such actions pursuant to this clause (1) do not materially and adversely affect the interests of the Holders;
- (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 Notes Guarantor or JV Subsidiary Guarantor, or any Notes Guarantee or JV Subsidiary Guarantee, or release any Notes Guarantor or JV Subsidiary Guarantor from any Notes 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) provide collateral, add additional collateral to secure the Notes, any Notes Guarantee or any JV Subsidiary Guarantee or enter into any intercreditor agreement in accordance with the Indenture;
- (7) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;
- (8) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream;
- (9) make any other change that does not materially and adversely affect the rights of any Holder;
or
- (10) conform the text of the Indenture, the Notes, the Notes Guarantees or the JV Subsidiary Guarantees to any provision of this “Description of the Notes” to the extent that such provision in this “Description of the Notes” was intended to be a verbatim recitation of a provision in the Indenture, the Notes, the Notes Guarantees or the JV Subsidiary Guarantees.

Amendments With Consent of Holders

Amendments of the Indenture may be made by the Issuer, the Company, the Subsidiary Guarantors and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the Holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Issuer, the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors with any provision of the Indenture or the Notes; *provided, however*, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

- (1) change the Stated Maturity of the principal of, or premium, if any, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the currency of payment of principal of, or premium, if any, or interest on, any Note;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;
- (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 Notes Guarantor or JV Subsidiary Guarantor from its Notes Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;
- (8) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (9) amend, change or modify any Notes Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders;
- (10) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale;
- (11) change the redemption date or the redemption price of the Notes from that stated under “– Optional Redemption” or “– Redemption for Taxation Reasons;”
- (12) amend, change or modify the obligation of the Issuer, the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts; or
- (13) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes or any Notes Guarantee or JV Subsidiary Guarantee in a manner which adversely affects the Holders.

UNCLAIMED MONEY

Claims against the Issuer or 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 Issuer, the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor in the Indenture, or in any of the Notes, the Notes 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 Issuer, the Company, any Subsidiary Guarantor, any JV Subsidiary Guarantor, or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Notes Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

CONCERNING THE TRUSTEE AND THE AGENTS

Citicorp International Limited has been appointed as Trustee under the Indenture. Citibank, N.A. London Branch has been appointed as note registrar (the “Note Registrar”) and as paying and transfer agent (the “Paying Agent” and, together with the Note Registrar, the “Agents”) with regard to the Notes. Except during the continuance of a Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture and the Notes. 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 or the Notes as a prudent person would exercise under the circumstances in the conduct of such person’s own affairs. The Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless such Holder shall have instructed the Trustee in writing and offered to the Trustee security and/or indemnity satisfactory to it against loss, liability or expense.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Issuer, 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, including normal banking and trustee relationships, with the Issuer, the Company and their respective Affiliates; *provided, however*, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

BOOK-ENTRY; DELIVERY AND FORM

The Notes will be represented by one or more global notes in registered form without interest coupons attached (the “Global Notes”). On the Issue Date of the New Notes, a Global Note will be deposited with a common depository and registered in the name of the common depository or its nominee for the accounts of Euroclear and Clearstream.

GLOBAL NOTE

Ownership of beneficial interests in the Global Note (the “book-entry interests”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under “– Individual Definitive Notes,” the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depository for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Note for all purposes under the Indenture and “holders” of book-entry interests will not be considered the owners or “Holders” of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Issuer, the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Trustee or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

PAYMENTS ON THE GLOBAL NOTE

Payments of any amounts owing in respect of the Global Note (including principal, premium, interest and Additional Amounts) will be made to the principal paying agent in U.S. dollars. The Paying Agent will, in turn, make such payments to the common depository for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Issuer and 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 Issuer, the Company, the Trustee and the Agents will treat the registered holder of the Global Note (i.e., the common depository or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

REDEMPTION OF GLOBAL NOTE

In the event any Global Note, or any portion thereof, is redeemed, the common depository will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depository, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer and the Company understand 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 Note for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

TRANSFERS

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Note will be subject to the restrictions on transfer discussed under "Transfer Restrictions."

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

GLOBAL CLEARANCE AND SETTLEMENT UNDER THE BOOK-ENTRY SYSTEM

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

INFORMATION CONCERNING EUROCLEAR AND CLEARSTREAM

The Issuer and the Company 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 Issuer, the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

INDIVIDUAL DEFINITIVE NOTES

If (1) the common 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 Issuer 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 Issuer has received a written request from a Holder, the Issuer will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depository or a Holder, as the case may be, the Issuer will use its best efforts to make arrangements with the common depository for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Note Registrar in sufficient quantities and authenticated by or on behalf of the Note Registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the Note Registrar, through the relevant clearing system, with written instruction and other information required by the Issuer and the Note Registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

NOTICES

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or first-class mail (if intended for the Issuer, the Company or any Subsidiary Guarantor) addressed to the Company at the principal office of the Company or such other address as the Company may advise the Trustee in writing from time to time, of (if intended for the Trustee) at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder’s last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

CONSENT TO JURISDICTION; SERVICE OF PROCESS

The Issuer, the Company and each of the Subsidiary Guarantors have irrevocably (1) submitted 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 Notes Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designated and appointed Cogency Global Inc., for receipt of service of process in any such suit, action or proceeding.

GOVERNING LAW

Each of the Notes, the Notes Guarantees, the JV Subsidiary Guarantees and the Indenture 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.

“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 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 15, 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 the principal amount of such Notes on August 15, 2020, plus all required remaining scheduled interest payments due on such Note through August 15, 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.

“Asset Acquisition” means (1) an investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any Restricted Subsidiary; or (2) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Company or any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any Restricted Subsidiary.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock by a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any Restricted Subsidiary to any Person; *provided* that “Asset Sale” shall not include:

- (1) sales 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\$1.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;
- (5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (6) a transaction covered by the “Consolidation, Merger and Sale of Assets” covenant; and
- (7) any sale, transfer or other disposition by the Company or any Restricted Subsidiary, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, at the time of determinations, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction, including any period for which such lease has been extended or may, at the opinion of the lessor, be extended.

“Average Life” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“Bank Deposit Secured Indebtedness” means Indebtedness of the Company or any Restricted Subsidiary that is secured by cash deposits, bank accounts or other assets of the Company or a Restricted Subsidiary and/or (ii) guaranteed by a guarantee or a letter of credit (or similar instruments) from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to in effect exchange foreign currencies 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.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“Change of Control” means the occurrence of one or more of the following events:

- (1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation) in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, to any “person” (within the meaning of Section 13(d) of the Exchange Act), other than one or more Permitted Holders;

- (2) the Company consolidates with, or merges with or into, any Person (other than one or more Permitted Holders), or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction;
- (3) the Permitted Holders are the beneficial owners of less than 50.1% of the total voting power of the Voting Stock of the Company;
- (4) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;
- (5) individuals who on the Original Issue Date constituted the board of directors of the Company, together with any new directors whose election by the board of directors was approved by a vote of at least a majority of the directors then still in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or
- (6) the adoption of a plan relating to the liquidation or dissolution of the Company.

For the avoidance of doubt, for purposes of this “Change of Control” definition, a sale of shares of Capital Stock of a Non-Guarantor Subsidiary which holds all or substantially all properties and assets of the Company and its Restricted Subsidiaries to Independent Third Parties in an initial public offering and listing on a stock exchange of the shares of Capital Stock of such Non-Guarantor Subsidiary where such Non-Guarantor Subsidiary (i) remains a Restricted Subsidiary immediately after such sale and (ii) the Company, immediately after such sale, owns, directly or indirectly, at least 30.0% of the Voting Stock of such Non-Guarantor Subsidiary shall not constitute a sale of substantially all properties and assets of the Company and its Restricted Subsidiaries.

“Change of Control Triggering Event” means the occurrence of both a Change of Control and a Rating Decline.

“Clearstream” means Clearstream Banking S.A.

“Commodity Agreement” means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in commodity prices.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding on the Original Issue Date, 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 15, 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 of comparable maturity to August 15, 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 received by the Company) Reference Treasury Dealer Quotations for such redemption date.

“Consolidated Assets” means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries’ proportionate interest in the total consolidated assets of such Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter period for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements).

“Consolidated EBITDA” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense,
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets), and
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than accrual of revenue in the ordinary course of business and gains on Investment Properties arising from fair value adjustments made in conformity with GAAP),

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; *provided* that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any Restricted Subsidiary and (2) in the case of any future PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

“Consolidated Interest Expense” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease

Obligations and imputed interest with respect to Attributable Indebtedness, (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, or secured by a Lien on any asset of, the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees), only to the extent that such interest is actually paid by the Company or any Restricted Subsidiary and (7) any capitalized interest, *provided* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period and, for the avoidance of doubt, distributions Incurred or accrued or payments on any Perpetual Bond Obligation shall not be included in the calculation of Consolidated Interest Expense.

“Consolidated Net Income” means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
 - (a) subject to the exclusion contained in clause (5) below, the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and
 - (b) the Company’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or 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 Restricted Subsidiary or all or substantially all of the property and assets of such Person are acquired by the Company or any Restricted Subsidiary;
- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles;
- (5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);

- (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 this Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available fiscal quarter, semi-annual or annual consolidated balance sheet of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any Restricted Subsidiary, each item to be determined in conformity with GAAP.

“Contractor Guarantees” means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“Credit Facilities” means one or more of the facilities or arrangements with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables or financings (including without limitation through the sale of receivables or assets to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or assets or the creation of any Liens in respect of such receivables or assets in favor of such institutions), letters of credit or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term “Credit Facility”

shall include any agreement (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder (provided that such increase is permitted under the covenant described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”) or (4) otherwise altering the terms and conditions thereof.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in foreign exchange rates.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the “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 Issuer’s or 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 Non-Guarantor Subsidiary from the Company or another Non-Guarantor Subsidiary (whether directly or through or facilitated by a bank or other financial institution), *provided* that such borrowings are not reflected on the consolidated balance sheet of the Company.

“Equity Offering” means (i) any *bona fide* underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any *bona fide* underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public

offering or private placement price, in each case under clause (i) or (ii) *provided* such public offering or private placement is to a person other than a Restricted Subsidiary or Permitted Holder; *provided* that any offering or placement referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Company being no less than US\$20.0 million (or the Dollar Equivalent thereof).

“Euroclear” means Euroclear Bank SA/NV.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended.

“Exempted Subsidiary” means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation to provide a Subsidiary Guarantee or a JV Subsidiary Guarantee; *provided* that (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee or JV Subsidiary Guarantee, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

“Fair Market Value” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of recognized international standing appointed by the Company.

“Fitch” means Fitch Ratings Ltd. and its successors.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarters prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements) (the “Four Quarter Period”) to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

- (a) pro forma effect shall be given to any Indebtedness or Preferred Stock Incurred, repaid or redeemed during the period (the “Reference Period”) commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay such Indebtedness or Preferred Stock;
- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate

Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

- (c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this paragraph requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the four full fiscal quarters immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“GAAP” means Hong Kong Financial Reporting Standards, as in effect from time to time.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Agreement, Currency Agreement or Interest Rate Agreement.

“Holder” means the Person in whose name a Note is registered in the Note register.

“Incur” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to

meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount 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 (1) capital commitments, pre-sale receipts in advance from customers, deferred payment obligations 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 and Capital Stock of any Person that owns such real or personal property) to be used in a Permitted Business or (2) Entrusted Loans or (3) any Perpetual Bond Obligation; *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 as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided* that

- (1) the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,

- (2) money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest, and
- (3) the amount of Indebtedness with respect to any Hedging Obligation shall be (i) zero if Incurred pursuant to paragraph 2(f) under the “Limitation on Indebtedness and Preferred Stock” covenant or (ii) equal to the net amount payable by such Person if such Hedging Obligation were terminated at that time if not Incurred pursuant to such paragraph.

“Independent Third Party” means any Person that is not an Affiliate of the Company.

“Interest Rate Agreement” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in interest rates.

“Investment” means, with respect to any Person:

- (1) any direct or indirect advance, loan or other extension of credit by such Person to another Person;
- (2) any capital contribution by such Person 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 by such Person issued by another Person; or
- (4) any Guarantee of any obligation by such Person 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 the Company’s proportional interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (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,” or “Aa,” “A” or “Baa,” as modified by a “1,” “2” or “3” indication, or an equivalent rating representing one of the four highest Rating Categories, by Moody’s or any of its successors or assigns, or a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest Rating Categories, by Fitch or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for Moody’s or Fitch or both of them, as the case may be.

“Investment Property” means any property that is owned and held by any Restricted Subsidiary for long-term rental yield or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

“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 Subsidiary Guarantees and the JV Subsidiary Guarantees.”

“JV Subsidiary Guarantor” means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“Listed Subsidiaries” means any Restricted Subsidiary any class of Voting Stock of which is listed on a Qualifying 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 Qualifying Exchange, or (y) such Restricted Subsidiary ceasing to be a Restricted Subsidiary of a Listed Subsidiary.

“Minority Interest Staged Acquisition Agreement” means an agreement between the Company and/or any Restricted Subsidiary on the one hand and an Independent Third Party on the other (x) pursuant to which the Company and/or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock at the time the Company and/or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one instalment over a period of time.

“Minority Joint Venture” means any corporation, association or other business entity that is accounted for by the equity method of accounting in accordance with GAAP by the Company or a Restricted Subsidiary and primarily engaged in the Permitted Businesses, and such Minority Joint Venture’s Subsidiaries.

“Moody’s” means Moody’s Investors Service, Inc. and its successors.

“Net Cash Proceeds” means:

- (1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:
 - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;
 - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;

- (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;
 - (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and
- (2) with respect to any issuance or sale of Capital Stock or securities convertible or exchangeable into Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Offer to Purchase” means an offer to purchase the Notes by the Issuer or the Company, as the case may be, from the Holders commenced by mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note register stating:

- (1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “Offer to Purchase Payment Date”);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Issuer or the Company, as the case may be, 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 tender agent (the “Tender 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 Tender 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 one Business Day prior to the Offer to Purchase Payment Date, the Issuer or the Company, as the case may be, shall deposit with the Tender Agent sufficient money to pay the purchase price of all Notes or portions thereof to be accepted by the Issuer or the Company, as the case may be, for payment on the Offer to Purchase Payment Date. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Issuer or the Company, as the case may be. The Tender Agent shall as soon as reasonably practicable mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee or an authenticating agent shall as soon as reasonably practicable authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000. The Issuer or the Company, as the case may be, will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Issuer or the Company, as the case may be, will comply with all applicable securities laws and regulations, in the event that the Issuer or the Company, as the case may be, is required to repurchase Notes pursuant to an Offer to Purchase.

The materials used in connection with an Offer to Purchase are 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 Issuer or the Company, as the case may be, 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 the Issuer, a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of the Issuer or 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 the Issuer or any Subsidiary Guarantor or any JV Subsidiary Guarantor, as the case may be, under the Indenture, Officers' Certificate means a certificate signed by one Officer if there is only one Officer in the Issuer or such Subsidiary Guarantor or any JV Subsidiary Guarantor, as the case may be, at the time such certificate is required to be delivered.

“Opinion of Counsel” means a written opinion from legal counsel who is reasonably acceptable to the Trustee.

“Original Issue Date” means August 15, 2017, the date on which the Original Notes were issued under the Indenture.

“Parent Guarantee” means any Guarantee of the obligations of the Issuer under the Indenture and the Notes by the Company.

“Pari Passu Guarantee” means a guarantee by the Issuer, the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Issuer (including Additional Notes), the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor; *provided* that (1) the Issuer, the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock” and (2) such guarantee ranks *pari passu* with the Notes, the Parent Guarantee, 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 Issuer or the Company to make or consummate a Change of Control Offer in the manner described under “– Repurchase of Notes upon a Change of Control Triggering Event,” or an Offer to Purchase in the manner described under “– Certain Covenants – Limitation on Asset Sales” or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

“Permitted Business” means any business which is the same or related, ancillary or complementary to any of the business of the Company and its Restricted Subsidiaries on the Original Issue Date.

“Permitted Holders” means any or all of the following:

- (1) Mr. Wong Hong King;
- (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);
- (3) the estate, trust and any immediate family member of the Persons listed in (1) or the legal representative of any of the foregoing; and
- (4) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by Persons specified in clauses (1), (2) and (3).

“Permitted Investment” means:

- (1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;
- (2) Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

- (6) any Investment pursuant to a Hedging Obligation designed to reduce or manage the exposure of the Company or any Restricted Subsidiary to fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant described under “– Certain Covenants – Limitation on Asset Sales”;
- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “– Certain Covenants – Limitation on Liens”;
- (10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;
- (11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;
- (12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet;
- (13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;
- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (15) deposits made in order to secure the performance of the Company or any Restricted Subsidiary and prepayments made in connection with the acquisition of real property or land use rights by the Company or any Restricted Subsidiary, in each case in the ordinary course of business;
- (16) advances in the ordinary course of business to government authorities or government-affiliated entities in the PRC for the purpose of the development and preparation by such government authority or government affiliated entity of primary land for auction purposes which advances are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet to the extent each such advance is on normal commercial terms including being subject to repayment from the relevant government authority;
- (17) an acquisition of assets, Capital Stock or other securities by the Company or a Subsidiary for consideration to the extent such consideration consists solely of Common Stock of the Company;

- (18) repurchases of the Notes;
- (19) any Investment (including any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the sale of Capital Stock of a Restricted Subsidiary) by the Company or any Restricted Subsidiary in any Person primarily engaged in a Permitted Business (other than a Restricted Subsidiary), *provided* that:
- (i) such Investment, together with the aggregate of all other Investments made under this clause (19) since the Original Issue Date, shall not exceed in aggregate an amount equal to 15.0% 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 (19) since the Original Issue 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 Original Issue Date under this clause of an obligation of any such Person,
 - (C) to the extent that an Investment made after the Original Issue Date under this clause is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person under this clause, or
 - (D) such Person becoming a Restricted Subsidiary (whereupon all Investments (other than Permitted Investments) made by the Company or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of this “Permitted Investment” definition);
 - (ii) the Person into which such Investment is made is primarily engaged in the Permitted Business;
 - (iii) none of the shareholders or partners (other than the Company or any Restricted Subsidiary) in such Person in which such Investment was made is a Person described in clause (x) or (y) of the first paragraph of the covenant under the caption “– Limitation on Transactions with Shareholders and Affiliates” (other than by reason of such shareholder or partner being an officer or director of the Company or a Restricted Subsidiary or by reason of being a Restricted Subsidiary, a Minority Joint Venture or Unrestricted Subsidiary); and
 - (iv) no Default has occurred and is continuing or would occur as a result of such Investment.

For the avoidance of doubt, the value of each Investment made pursuant to this clause (19) shall be valued at the time such Investment is made;

- (20) any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Restructuring Group in connection with the proposed Restructuring upon designation of the Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries, *provided* that (A) (i) the Board of Directors of the Company has determined in good faith that the designation of the Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries is necessary to obtain approval from a Qualifying Exchange for the proposed Restructuring, (ii) at the time of such designation, the members of the Restructuring Group remain Subsidiaries of the Company, and (iii) at the time of such designation, the members of the Restructuring Group remain primarily engaged in the Permitted Businesses; and (B) the aggregate of all Investments made under this clause (20) since the Original Issue Date shall not exceed an amount equal to 5.0% of Total Assets (for the avoidance of doubt, any portion of such Investments exceeding 5.0% of Total Assets shall not constitute a Permitted Investment pursuant to this item but may be made, characterized and accounted for in accordance with the other provisions of the Indenture); and *provided further* that, at the time when (x) the Company ceases to hold, directly or indirectly, at least 30.0% 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 that the Company has agreed to or is otherwise obligated to make pursuant to an agreement or similar instrument existing on the Original Issue Date;
- (22) the purchase of Capital Stock of a Person, and payments made, pursuant to a Staged Acquisition Agreement; and
- (23) Guarantees permitted by the covenant described under the caption entitled “– Limitation on Indebtedness and Preferred Stock.”

“Permitted Liens” means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers’ acceptances, surety and appeal bonds, government contracts, performance, and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);
- (4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;

- (5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;
- (6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;
- (7) Liens in favor of the Company or any Restricted Subsidiary;
- (8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;
- (9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof);
- (10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry, in each case, securing Indebtedness under Hedging Obligations permitted by clause (2)(f) of the covenant described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”;
- (11) Liens existing on the Original Issue Date;
- (12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (2)(e) of the covenant described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (13) any interest or title of a lessor in the property subject to any operating lease;
- (14) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (2)(g) of the covenant described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”;
- (15) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;
- (16) Liens (including extensions and renewals thereof) upon real or personal property; *provided* that (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock” and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of

such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item, *provided* that, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property 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 of the last day of the most recent fiscal quarter period 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) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (16) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;

- (17) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (18) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (19) Liens on deposits made in order to secure the performance of the Company or any Restricted Subsidiary in connection with the acquisition of real property or land use rights by the Company or any Restricted Subsidiary in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (20) Liens incurred or deposits made to secure Entrusted Loans;
- (21) Liens securing Indebtedness permitted to be Incurred under clause (2)(n) of the covenant described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”;
- (22) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement securing Indebtedness which is permitted to be Incurred under clause (2)(o) or (2)(x), respectively, of the covenant described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”;
- (23) Liens on the Capital Stock of a Restricted Subsidiary (other than the Issuer) granted by the Company or any other Restricted Subsidiary in favor of any Trust Company Investor (including the sale or transfer of such Capital Stock to such Trust Company Investor) in respect of, and to secure, the Indebtedness permitted to be Incurred under clause (2)(p) of the covenant described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”;
- (24) Liens on cash deposits, bank accounts or other assets to secure Bank Deposit Secured Indebtedness permitted to be Incurred under clause (2)(q) of the covenant described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”;
- (25) Liens on Investment Properties securing Indebtedness of the Company or any Restricted Subsidiary permitted to be Incurred under clause (2)(r) of the covenant described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”;

- (26) Liens securing Indebtedness Incurred pursuant to clause (2)(s) of the covenant described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”;
- (27) Liens securing Indebtedness Incurred under clause (2)(u), (2)(v) or (2)(w) of the covenant described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”; and
- (28) Liens on assets of a Non-Guarantor Subsidiary securing any Permitted Subsidiary Indebtedness of any Non-Guarantor Subsidiary permitted to be Incurred under the proviso in paragraph (1) of the covenant described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock.”

“Permitted Subsidiary Indebtedness” means Indebtedness of, and all Preferred Stock issued by, the Non-Guarantor Subsidiaries, taken as a whole; *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding Public Indebtedness and any Indebtedness of any Non-Guarantor Subsidiary permitted under clauses (2)(a), (b), (d), (f) and (g) of the covenant described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”) does not exceed an amount equal to 15.0% of Total Assets.

“Perpetual Bond Obligation” means perpetual securities that are accounted for as equity in accordance with the relevant generally accepted accounting principles, the aggregate outstanding principal amount of which, if issued by the Company or any Restricted Subsidiary, does not exceed 20% of Total Assets at any time.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“PRC” means the People’s Republic of China, excluding Hong Kong Special Administrative Region, Macau and Taiwan.

“PRC CJV” means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on September 3, 2016) and 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, 2010), 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.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its terms is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided* that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“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 IPO” means an initial public offering, and a listing, of ordinary shares of a company on a Qualifying Exchange; provided that in the case that such listing is on a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act), such listing shall result in a public float of no less than the percentage required by the applicable listing rules.

“Qualifying Exchange” means either (1) The New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Nasdaq Stock Market, Singapore Exchange Securities Trading Limited, The Shanghai Stock Exchange or The Shenzhen Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act).

“Rating Agencies” means (1) Moody’s, (2) Fitch and (3) if Moody’s or Fitch or both of them shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for Moody’s or Fitch or both of them, as the case may be.

“Rating Category” means (1) with respect to Fitch, 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 Moody’s or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (“+” or “-” for Fitch and “1,” “2” or “3” for Moody’s; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to Fitch, a decline in a rating from “BB+” to “BB,” as well as from “BB-” to “B+,” will constitute a decrease of one gradation).

“Rating Date” means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under “– Consolidation, Merger and Sale of Assets,” that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

“Rating Decline” means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after the date of 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 “– Consolidation, Merger and Sale of Assets,” the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

- (A) in the event the Notes are rated by both of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by either 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, assets or interests therein (including without limitation, all security interests in goods financed thereby (including equipment and property), the proceeds of such receivables, and other assets which are customarily sold or in respect of which security interests are customarily granted in connection with securitization or factoring transactions involving such assets) for credit or liquidity management purposes (including discounting, securitization or factoring transactions) either (i) in the ordinary course of business or (ii) by way of selling securities by such other Person that are, or are capable of being, listed on any stock exchange or in any securities market and are offered using an offering memorandum or similar offering document.

“Receivable Financing Assets” means assets that are underlying and are sold, conveyed or otherwise transferred or pledged in a Receivable Financing.

“Reference Treasury Dealer” means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing 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) of a nature or type or that are used in a Permitted Business (including any Capital Stock in a Person holding such property or assets that is primarily engaged in a Permitted Business).

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“Restructuring” means the restructuring and Qualified IPO of the ordinary shares of a Subsidiary of the Company in the Restructuring Group.

“Restructuring Group” means the group of Subsidiaries of the Company which are engaged in Permitted Business that the Company may spin off and separately listed on a Qualifying Exchange as part of the Restructuring.

“S&P” means Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies, and its successors.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

“Securities Act” means the U.S. Securities Act of 1933, as amended.

“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 Issuer, the Notes, (b) in respect of the Company, the Parent Guarantee, (c) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee or (d) 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 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 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, and premium, if any, 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, and premium, if any, 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 Issuer, the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes, the Parent Guarantee, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subordinated Shareholder Loan” means any unsecured Indebtedness for borrowed money Incurred by the Company or any Restricted Subsidiary from but only so long as such Indebtedness is owed to any Permitted Holder which (i) is expressly made subordinate to the prior payment in full of the Notes, by its terms or by the terms of any agreement or instrument pursuant to which such Indebtedness is issued, created or remains outstanding, with respect to the payment of principal and any other payment obligations in respect of such Indebtedness, (ii) by its terms (and by the terms of any security into which it is convertible or for which it is exchangeable) does not mature and is not required to be repaid, redeemed, repurchased or otherwise retired, pursuant to a sinking fund obligation, event of default or otherwise, in whole or in part, on or prior to the date that is one year after the Stated Maturity of the Notes and (iii) by its terms, does not provide for any cash payment of interest (or premium, if any).

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity of which (i) more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is “controlled” and consolidated by such Person in accordance with GAAP; *provided, however*, that with respect to clause (ii), the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be “controlled” by such Person under the GAAP and to constitute a Subsidiary of such Person shall be deemed to be an Investment by such Person in such corporation, association or other business entity equal to the Fair Market Value of the Capital Stock of such corporation, association or other business entity held by such Person immediately after the occurrence of such event, which shall be made in compliance with the “– Limitation on Restricted Payments” covenant.

“Subsidiary Guarantee” means any Guarantee of the obligations of the Issuer under the Indenture and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided* that Subsidiary Guarantor will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, the United Kingdom, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, the United Kingdom, any state of the European Economic Area, the People’s Republic of China, Hong Kong or any agency of any of the foregoing, in each case maturing within one year, which in the case of obligations of, or obligations Guaranteed by, the United Kingdom or any state of the European Economic Area, shall be rated at least “A” by S&P, Moody’s or Fitch;

- (2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, the United Kingdom, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P or Fitch;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P, Moody’s or Fitch;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;
- (7) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with any bank, trust company or other financial institution organized under the laws of the PRC, Hong Kong or anywhere the Company or any Restricted Subsidiary conducts business operations; and
- (8) structured deposit products that are principal protected with any bank or financial institution organized under the laws of the PRC, Hong Kong or anywhere the Company or any Restricted Subsidiary conducts business operations if held to maturity (which shall not be more than one year) and can be withdrawn at any time with no more than six months’ notice.

“Total Assets” means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile on a timely manner) are available (which may include internal consolidated financial statements); *provided* that only with respect to clause (2)(h) of “– Certain Covenants – Limitation on Indebtedness and Preferred Stock” and the definition of “Permitted Subsidiary Indebtedness,” Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder in each case as of such date, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any Restricted Subsidiary to the bank or other similar financial institutional lender providing such Indebtedness.

“Trade Payables” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“Transaction Date” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“Trust Company Investor” means an Independent Third Party that is a financial institution or an insurance company, or an Affiliate thereof, that Invests in any Capital Stock of a Restricted Subsidiary.

“Unrestricted Subsidiary” means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

“U.S. Government Obligations” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary.

TAXATION

The following summary of certain Cayman Islands, British Virgin Islands, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of New 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 New 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 New Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of New Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

CAYMAN ISLANDS

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the New Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest and principal or premium on the Notes will not be subject to taxation and no withholding will be required on the payment of interest and principal or premium to any holder of the New Notes, as the case may be, nor will gains derived from the disposal of the New Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the New Notes. An instrument of transfer in respect of a New Note is stampable if executed in or brought into the Cayman Islands.

The Company has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Governor in Cabinet of the Cayman Islands as to tax concessions under the Tax Concessions Law (as revised) of Cayman Islands. In accordance with the provision of section 6 of The Tax Concessions Law, the Governor in Cabinet undertakes with the Company:

- That no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable, on or in respect of the shares, debentures or other obligations of the Company, or by way of the withholding, in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law.

These concessions shall be for a period of 20 years from 11 January 2005.

BRITISH VIRGIN ISLANDS

A BVI business company is exempt from all provisions of the Income Tax Act of the British Virgin Islands (including with respect to all dividends, interests, rents, royalties, compensations and other amounts payable by the company to persons who are not persons resident in the British Virgin Islands).

Capital gains realised with respect to any shares, debt obligations or other securities of the company by persons who are not persons resident in the British Virgin Islands are also exempt from all provisions of the Income Tax Act of the British Virgin Islands.

No estate, inheritance, succession or gift tax is payable by persons who are not persons resident in the British Virgin Islands with respect to any shares, debt obligations or other securities of the company.

HONG KONG

Withholding Tax. No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the New Notes) or interest in respect of the New Notes.

Profits Tax. Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business. Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “Inland Revenue Ordinance”), as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the New Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the New Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty. No Hong Kong stamp duty will be chargeable upon the issue or transfer (for so long as the register of holders of the New Notes is maintained outside Hong Kong) of a New Note.

PRC

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of New Notes is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the New 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 New Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of New Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest and Capital Gains. PRC income tax at the rate of 10% (or lower treaty rate, if any) is withheld from interest payable to investors that are “non-resident enterprises” and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant interest income is not effectively connected with the establishment or place of business, to the extent such interest is derived from sources within the PRC unless there is an applicable tax treaty between the PRC and the jurisdiction in which an overseas holder resides with reduces or exempts the relevant tax. Any gain realized on the transfer of the Notes by such investors is subject to a 10% (or lower treaty rate, if any) PRC income tax if such gain is regarded as income of a “non-resident enterprise” derived from sources within the PRC. As advised by Global Law Office, our PRC legal counsel, there is uncertainty as to whether we will be treated as a PRC “resident enterprise” for the purpose of the EIT Law. If we are considered a PRC resident enterprise, interest and capital gains realized by non-resident holders of the Notes may be treated as income derived from sources within the PRC and may be subject to PRC withholding tax at the rate of 10% where the holder is an enterprise pursuant to the EIT Law, or subject to PRC individual income tax at the rate of 20% where the holder is an individual pursuant to PRC individual income tax laws. See “Risk Factors — We may be deemed a PRC resident under the EIT Law and be subject to PRC taxation on our worldwide income” and “Interest payable by us to our foreign investors and gain on sale of our Notes may be subject to withholding taxes under PRC tax laws.”

Stamp duty. No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the New Notes is maintained outside the PRC) of a New Note.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement dated the date of this offering memorandum between the Issuer, the Company, the Subsidiary Guarantors and the Initial Purchasers, we have agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed, severally and not jointly, to purchase from us, the New Notes in an aggregate principal amount of US\$175,000,000.

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the New Notes are subject to approval of legal matters by counsel and other conditions. If an Initial Purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting Initial Purchasers may be increased or the purchase agreement may be terminated. The purchase agreement may be terminated by the Initial Purchasers in certain circumstances prior to the delivery and payment of the New Notes. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Initial Purchasers propose to resell the New Notes at the offering price set forth on the cover page of this offering memorandum only outside the United States in offshore transactions in reliance on Regulation S. The price at which the New Notes are offered may be changed at any time without notice. The Issuer, the Company and the Subsidiary Guarantors will pay the Initial Purchasers customary fees and commissions in connection with the offering and will reimburse the Initial Purchasers for certain expenses incurred in connection with the offering.

We have agreed with the Initial Purchasers to pay certain rebate to those private bank purchasers of the New Notes (the "Private Bank Rebates"). We shall bear the cost of the Private Bank Rebates, which amount shall be deducted from the net proceeds by the Initial Purchasers.

The Notes and the Notes Guarantees have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

We have agreed that, for a period of 30 days from the date on which the New Notes are issued, we will not, without the prior written consent of the Initial Purchasers, directly or indirectly, offer, sell, contract to sell, pledge, otherwise dispose of, or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by us or our subsidiaries, directly or indirectly or announce the offering, of any debt securities issued or guaranteed by us (other than the Notes).

The Notes will constitute a new class of securities with no established trading market.

Approval in-principle has been received from the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. However, we cannot assure you that the prices at which the New Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the New Notes will develop and continue after this offering. The Initial Purchasers have advised us that they currently intend to make a market in the New Notes. However, the Initial Purchasers are not obligated to do so and they may discontinue any market-making activities with respect to the New Notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the New Notes.

We expect to deliver the New Notes against payment for the New Notes on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the sixth business day following the date of the pricing of the New Notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally settle in two business days, purchasers who wish to trade the New Notes on the date of pricing or the succeeding three business days will be required, by virtue of the fact that the New Notes initially will settle in T+6, to specify alternative settlement arrangements to prevent a failed settlement. Purchasers of the New Notes who wish to trade the New Notes on the date of pricing or the next succeeding business day should consult their own advisor.

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers or their affiliates may from time to time hold and trade securities issued by a member of our Group. The Initial Purchasers or their affiliates have performed commercial banking, investment banking or advisory services for us from time to time for which they have received customary fees and reimbursement of expenses. The Initial Purchasers or their affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of business for which they may receive customary fees and reimbursement of expenses. We may enter into hedging or other derivative transactions as part of our risk management strategy with one or more of the Initial Purchasers, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral.

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

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

SELLING RESTRICTIONS

General

No action has been taken or will be taken in any jurisdiction by us or the Initial Purchasers that would permit a public offering of the New Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the New Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the New Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

United States

The New Notes and the Notes Guarantees have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See “Transfer Restrictions.”

United Kingdom

No invitation or inducement to engage in investment activity (within the meanings of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”) received by the Initial Purchasers in connection with the issue or sale of the New Notes may be communicated or caused to be communicated except in circumstances in which Section 21(1) of the FSMA does not apply to the Initial Purchasers. All applicable provisions of the FSMA must be complied with respect to anything done or to be done by the Initial Purchasers in relation to any New Notes in, from or otherwise involving the United Kingdom.

Hong Kong

The New Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571 of Hong Kong) and any rules made thereunder, or (iii) 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) and no advertisement, invitation or document relating to the New Notes has been issued or may be issued or had been in the possession of or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the New Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571 of Hong Kong) and any rules made thereunder.

Japan

The New Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948) (as amended) (the “FIEL”), and disclosure under the FIEL has not been made with respect to the New Notes. Accordingly, the New Notes may not be offered or sold, directly or indirectly in Japan or to, or for the account of, any resident of Japan, or to others for re-offering or resale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan, except pursuant to any exemption from the registration requirements of the FIEL and otherwise in compliance with the FIEL and other applicable provisions of Japanese laws and regulations. As used in this paragraph, “resident of Japan” means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”). Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the New Notes has not been and will not be circulated or distributed, nor may the New Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor as defined in Section 4A of the SFA pursuant to Section 274 of the SFA, (ii) to a relevant person as defined in Section 275(2) of the SFA pursuant to Section 275(1), 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 New Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the New Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor (as defined in Section 4A of the SFA), or to a relevant person (as defined in Section 275(2) of the SFA), or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

PRC

The Initial Purchasers have acknowledged that this offering memorandum does not constitute a public offer of the New Notes, whether by way of sale or subscription, in the PRC. Each of the Initial Purchasers has severally represented and agreed that, except to the extent consistent with applicable laws and regulations in the PRC, the New Notes are not being offered and may not be offered or sold, directly or indirectly, in the PRC to or for the benefit of legal or natural persons of the PRC. According to the laws and regulatory requirements in the PRC, with the exception to the extent consistent with applicable laws and regulations in the PRC, the New Notes may, subject to the laws and regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

Cayman Islands

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the New Notes.

British Virgin Islands

No invitation will be made directly or indirectly to any person resident in the British Virgin Islands to subscribe for any of the New Notes.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult their legal counsel prior to making any offer, sale, resale, pledge or other transfer of the New Notes.

The New Notes, the Notes Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in accordance with Regulation S or pursuant to another exemption from the registration requirements of the Securities Act. Accordingly, the New Notes are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. As used herein, the term “United States” has the meaning given to them in Regulation S.

By its purchase of the New Notes, including the Notes Guarantees and the JV Subsidiary Guarantees (if any), each purchaser will be deemed to have:

1. represented that it is purchasing the New Notes in an offshore transaction in accordance with Regulation S;
2. represented that it is purchasing the New Notes, including the Notes Guarantees and the JV Subsidiary Guarantees (if any), for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is outside the United States;
3. acknowledged that the New Notes, the Notes Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the Securities Act and that the New Notes may not be offered or sold within the United States except in accordance with Regulation S, pursuant to registration under the Securities Act, or pursuant to an available exemption from registration;
4. agreed that it will inform each person to whom it transfers the New Notes of any restrictions on the transfer of such New Notes;
5. acknowledged 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 New Notes, other than the information contained in this offering circular. You represented that you are relying only on this offering circular in making your investment decision with respect to the New Notes. You agreed that you have had access to such financial and other information concerning us and the New Notes as you have deemed necessary in connection with your decision to purchase the New Notes including an opportunity to ask questions of and request information from us;
6. represented that you are purchasing the New Notes 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 New Notes in violation of the Securities Act;
7. acknowledged that the New Notes will be represented by the Global Note; and

8. acknowledged that each New Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATIONS 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. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

You also acknowledge that the Issuer, the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Paying and Transfer Agent, the Registrar, the Initial Purchasers, the Trustee and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. You agree that if any of the acknowledgements, representations or agreements you are deemed to have made by your purchase of the New Notes is no longer accurate, you will promptly notify the Issuer, the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Paying and Transfer Agent, the Registrar, the Trustee and the Initial Purchasers. If you are acquiring any New Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

RATINGS

The Notes have been assigned a rating of B3 by Moody's Investors Service and B+ by Fitch Ratings. 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. Each such rating should be evaluated independently of any other rating on the Notes, on other securities of ours, or on us. Additionally, we have been assigned a corporate family rating of B2 with negative outlook by Moody's Investors Service and a long-term foreign currency issuer default rating of B+ on rating watch negative by Fitch Ratings. Following our announcement on October 11, 2017 that we had entered into a sales and purchase agreement to acquire a non-residential development in Hong Kong (see "Business – Recent Development" for more information), Moody's Investors Service announced on October 16, 2017 that it had changed the outlook on both the Notes and our corporate family rating from stable to negative, citing liquidity and leverage concerns, and Fitch Ratings announced on October 17, 2017 that it had placed both the Notes and our long-term foreign currency issuer default rating on rating watch negative, citing leverage concerns. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Sidley Austin as to matters of United States federal and New York law and Hong Kong law, Global Law Office as to matters of PRC law and Appleby as to matters of Cayman Islands law and British Virgin Islands law.

Certain legal matters will be passed upon for the Initial Purchasers by Shearman & Sterling as to matters of United States federal and New York law and Jingtian & Gongcheng Attorneys at Law as to matters of PRC law.

INDEPENDENT AUDITOR

The consolidated financial information as of and for the three years ended December 31, 2014, 2015 and 2016 included in this offering memorandum has been audited by Deloitte Touche Tohmatsu, certified public accountants, as stated in their reports appearing herein.

The consolidated financial information as of and for the six months ended June 30, 2017 included in this offering memorandum has not been audited but reviewed by Deloitte Touche Tohmatsu, certified public accountants, as stated in their reports appearing herein.

GENERAL INFORMATION

CONSENTS

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands and Hong Kong in connection with the issue and performance of the New Notes and the Notes Guarantees. The entering into of the Indenture and the issue of the New Notes have been authorized by a resolution of our board of directors dated October 17, 2017.

LITIGATION

Except as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the New Notes or the Notes Guarantees.

NO MATERIAL ADVERSE CHANGE

There has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2016 that is material in the context of the issue of the New Notes.

DOCUMENTS AVAILABLE

For so long as any of the New Notes is outstanding, copies of the Indenture may be inspected free of charge during normal business hours on any weekday (except public holidays) at the corporate trust office of the Trustee.

For so long as any of the New Notes is outstanding, copies of our published financial statements may be obtained during normal business hours on any weekday (except public holidays) at the principal registered office of the Company.

CLEARING SYSTEMS AND SETTLEMENT

The New Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Securities is set forth below:

<u>ISIN</u>	<u>Common Code</u>
XS1643556670	164355667

Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream.

LISTING OF THE NOTES

The Original Notes are listed on the SGX-ST. Approval in-principle has been received from the SGX-ST for the listing and quotation of the New 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 the listing and quotation of the New 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. 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).

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, the Issuer 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 the Issuer 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.

INDEX TO FINANCIAL STATEMENTS

Condensed Financial Information as of and for the Six Months Ended June 30, 2017	2017 Interim Report⁽¹⁾	
Report on Review of Condensed Consolidated Financial Statements	F-2	22
Condensed Consolidated Statement of Profit or Loss	F-3	23
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	F-4	24
Condensed Consolidated Statement of Financial Position	F-5	25
Condensed Consolidated Statement of Changes in Equity	F-7	27
Condensed Consolidated Statement of Cash Flows	F-8	28
Notes to the Condensed Consolidated Financial Statements	F-9	29
Consolidated Financial Statements as of and for the Year Ended December 31, 2016	2016 Annual Report⁽¹⁾	
Independent Auditor’s Report	F-33	58
Consolidated Statement of Profit or Loss	F-40	65
Consolidated Statement of Profit or Loss and Other Comprehensive Income	F-41	66
Consolidated Statement of Financial Position	F-42	67
Consolidated Statement of Changes in Equity	F-44	69
Consolidated Statement of Cash Flows	F-45	70
Notes to the Consolidated Financial Statements	F-47	72
Consolidated Financial Statements as of and for the Year Ended December 31, 2015	2015 Annual Report⁽¹⁾	
Independent Auditor’s Report	F-133	43
Consolidated Statement of Profit or Loss	F-135	45
Consolidated Statement of Profit or Loss and Other Comprehensive Income	F-136	46
Consolidated Statement of Financial Position	F-137	47
Consolidated Statement of Changes in Equity	F-139	49
Consolidated Statement of Cash Flows	F-140	50
Notes to the Consolidated Financial Statements	F-142	52

Note:

(1) Page references included in the independent auditors’ reports and the independent review report and the consolidated financial statements for each of the years ended December 31, 2015, 2016 and the six months end June 30, 2017 set forth below refer to pages in our annual reports for the years ended December 31, 2015, 2016 and our interim report for the six months ended June 30, 2017, as the case may be. Those annual reports and interim report are not incorporated by reference herein and do not form part of this offering memorandum. The audited or reviewed consolidated financial statements have not been specifically prepared for the inclusion in this offering memorandum.

Report on Review of Condensed Consolidated Financial Statements

簡明綜合財務報表審閱報告

For the six months ended 30 June 2017 截至二零一七年六月三十日止六個月

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF
LVGEM (CHINA) REAL ESTATE INVESTMENT COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of LVGEM (China) Real Estate Investment Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 23 to 52, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

25 August 2017

德勤•關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

致綠景(中國)地產投資有限公司
董事會
(於開曼群島註冊成立之有限公司)

緒言

我們已審閱綠景(中國)地產投資有限公司(以下簡稱「貴公司」)及其附屬公司(以下統稱「貴集團」)載於第23至52頁的簡明綜合財務報表，包括截至二零一七年六月三十日的簡明綜合財務狀況報表，以及截至該日止六個月期間的相關簡明綜合損益表、簡明綜合損益及其他全面收益表、簡明綜合權益變動表及簡明綜合現金流量表，以及其他說明附註。香港聯合交易所有限公司證券上市規則規定，編製中期財務資料的報告必須符合有關的上市規則條文及香港會計師公會頒佈的香港會計準則第34號「中期財務報告」(「香港會計準則第34號」)。貴公司董事須負責根據香港會計準則第34號編製及呈列該等簡明綜合財務報表。我們的責任是根據我們對該等簡明綜合財務報表的審閱結果作出結論。我們按照委聘的協定條款僅向作為實體的閣下作出報告，除此之外概無其他目的。我們不會就本報告的內容向任何其他人士負責或承擔責任。

審閱範圍

我們已根據香港會計師公會頒佈的香港審閱工作準則第2410號「公司獨立核數師對中期財務資料審閱」進行審閱。審閱該等簡明綜合財務報表包括主要向負責財務及會計事務的人員作出查詢，並應用分析和其他審閱程序。審閱範圍遠少於根據香港核數準則進行審核的範圍，故我們無法保證知悉在審核中可能識別的所有重大事項。因此，我們並不發表審核意見。

結論

按照我們的審閱，我們並無注意到任何事項令我們相信簡明綜合財務報表在各重大方面未有根據香港會計準則第34號編製。

德勤•關黃陳方會計師行
執業會計師
香港

二零一七年八月二十五日

Condensed Consolidated Statement of Profit or Loss

簡明綜合損益表

For the six months ended 30 June 2017 截至二零一七年六月三十日止六個月

		Six months ended 30 June 截至六月三十日止六個月	
		2017	2016
		二零一七年	二零一六年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
		(Unaudited)	(Unaudited)
		(未經審核)	(未經審核)
Revenue	收益	595,062	3,763,762
Cost of sales	銷售成本	(251,372)	(2,062,650)
Gross profit	毛利	343,690	1,701,112
Other income, other gains and losses	其他收入、其他收益及虧損	21,448	29,402
Selling expenses	銷售開支	(14,823)	(25,606)
Administrative expenses	行政開支	(178,437)	(170,437)
Fair value changes on investment properties	投資物業的公允價值變動	175,845	624
Fair value changes on derivative financial instruments	衍生金融工具的公允價值變動	41,373	-
Finance costs	融資成本	(265,555)	(150,493)
Share of results of joint ventures	應佔合營公司業績	(92)	-
Profit before tax	除稅前盈利	123,449	1,384,602
Income tax expense	所得稅開支	(76,678)	(814,525)
Profit for the period	期內盈利	46,771	570,077
Profit for the period attributable to:	以下人士應佔期內盈利：		
Owners of the Company	本公司股東	43,172	564,167
Non-controlling interests	非控股權益	3,599	5,910
		46,771	570,077
		RMB cents	RMB cents
		人民幣分	人民幣分
		(Unaudited)	(Unaudited)
		(未經審核)	(未經審核)
Earnings per share	每股盈利		
- Basic	- 基本	0.92	12.02
- Diluted	- 攤薄	0.36	6.96

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

簡明綜合損益及其他全面收益表

For the six months ended 30 June 2017 截至二零一七年六月三十日止六個月

		Six months ended 30 June 截至六月三十日止六個月	
		2017	2016
		二零一七年	二零一六年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
		(Unaudited)	(Unaudited)
		(未經審核)	(未經審核)
Profit for the period	期內盈利	46,771	570,077
Other comprehensive income (expense)	其他全面收益(開支)		
<i>Items that may be subsequently reclassified to profit or loss:</i>	<i>隨後或會重新分類至損益之項目：</i>		
Exchange differences arising on translation	匯兌產生的換算差額	(7,258)	(7,230)
Fair value changes on available-for-sale investments, net of tax	可供出售投資之公允價值變動 (扣除稅項)	40,849	–
Other comprehensive income (expense) for the period	期內其他全面收益(開支)	33,591	(7,230)
Total comprehensive income for the period	期內全面收益總額	80,362	562,847
Total comprehensive income attributable to:	以下人士應佔全面收益總額：		
Owners of the Company	本公司股東	78,647	557,530
Non-controlling interests	非控股權益	1,715	5,317
		80,362	562,847

Condensed Consolidated Statement of Financial Position

簡明綜合財務狀況報表

At 30 June 2017 於二零一七年六月三十日

			At 30 June 2017 於二零一七年 六月三十日 RMB'000 (Unaudited) (未經審核)	At 31 December 2016 於二零一六年 十二月三十一日 RMB'000 (Audited) (經審核)
	NOTES			
	附註			
Non-current assets				
Investment properties	投資物業	9(b)	12,399,857	12,227,017
Property, plant and equipment	物業、廠房及設備	9(a)	430,251	294,188
Goodwill	商譽		231,602	231,602
Interests in joint ventures	於合營公司的權益		528,292	528,384
Available-for-sale investments	可供出售投資	11	825,513	561,048
Deferred tax assets	遞延稅項資產		194,462	190,151
Deposits paid for acquisition of equity interests	收購股權之已付按金		-	210,000
Deposits paid for acquisition of property, plant and equipment	收購物業、廠房及設備之已付按金		-	156,776
			14,609,977	14,399,166
Current assets				
Properties under development for sale	發展中待售物業		4,700,467	3,977,425
Properties held for sale	待售物業		1,410,400	1,556,050
Other inventories	其他存貨		947	1,006
Accounts receivable	應收賬款	10	16,943	16,536
Deposits paid, prepayments and other receivables	已付按金、預付款項及其他應收款項		1,213,921	1,234,783
Tax recoverable	可收回稅款		1,413	8,316
Other current assets	其他流動資產		50,000	200,000
Restricted bank deposits	受限制銀行存款		2,189,734	1,738,990
Bank balances and cash	銀行結餘及現金		2,989,521	2,792,246
			12,573,346	11,525,352
Current liabilities				
Accounts payable	應付賬款	12	731,962	921,438
Accruals, deposits received and other payables	應計費用、已收按金及其他應付款項		580,169	546,538
Dividend payables	應付股息	7	211,211	-
Tax payable	應付稅款		748,338	768,146
Borrowings	借貸	13	4,614,914	3,580,323
			6,886,594	5,816,445
Net current assets			5,686,752	5,708,907
Total assets less current liabilities			20,296,729	20,108,073
Non-current liabilities				
Convertible bonds	可換股債券	17(a)	577,104	559,186
Derivative financial instruments	衍生金融工具	17(b)	79,123	120,496
Borrowings	借貸	13	8,049,612	7,836,944
Deferred tax liabilities	遞延稅項負債		2,465,899	2,393,783
			11,171,738	10,910,409
Net assets			9,124,991	9,197,664

Condensed Consolidated Statement of Financial Position

簡明綜合財務狀況報表

At 30 June 2017 於二零一七年六月三十日

			At 30 June 2017 於二零一七年 六月三十日 RMB'000 人民幣千元 (Unaudited) (未經審核)	At 31 December 2016 於二零一六年 十二月三十一日 RMB'000 人民幣千元 (Audited) (經審核)
	<i>NOTE</i>			
	<i>附註</i>			
Capital and reserves	股本及儲備			
Share capital	股本	14	39,115	39,115
Reserves	儲備		8,851,009	8,925,397
Equity attributable to owners of the Company	本公司股東應佔權益		8,890,124	8,964,512
Non-controlling interests	非控股權益		234,867	233,152
Total equity	權益總額		9,124,991	9,197,664

Condensed Consolidated Statement of Changes in Equity

簡明綜合權益變動表

For the six months ended 30 June 2017 截至二零一七年六月三十日止六個月

		Attributable to owners of the Company 本公司股東應佔權益											
		Share capital	Share premium	Convertible preference shares	Other reserve	Exchange reserve	Investment revaluation reserve	Share option reserve	Statutory reserve	Retained profits	Total	Non-controlling interests	Total equity
		股本	股份溢價	可換股優先股	其他儲備	匯兌儲備	投資重估儲備	購股權儲備	法定儲備	保留盈利	總計	非控股權益	權益總額
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Balance as at 1 January 2016 (Audited)	於二零一六年一月一日的結餘(經審核)	39,115	6,299,142	5,959,114	(11,262,576)	63,717	-	-	66,373	6,716,192	7,881,077	92,093	7,973,170
Profit for the period	期內盈利	-	-	-	-	-	-	-	-	564,167	564,167	5,910	570,077
Exchange differences arising on translation	匯兌產生的換算差額	-	-	-	-	(6,637)	-	-	-	-	(6,637)	(693)	(7,230)
Total comprehensive (expense) income for the period	期內全面(開支)收益總額	-	-	-	-	(6,637)	-	-	-	564,167	557,530	5,317	562,847
Capital contribution by a non-controlling shareholder of a subsidiary	非控股股東於一間附屬公司之出資	-	-	-	-	-	-	-	-	-	-	26,000	26,000
Recognition of equity-settled share-based payments (note 18)	確認以股本結算以股份為基礎之付款(附註 18)	-	-	-	-	-	-	68,515	-	-	68,515	-	68,515
Transfer of statutory reserve	轉撥法定儲備	-	-	-	-	-	-	-	48,771	(48,771)	-	-	-
Balance as at 30 June 2016 (Unaudited)	於二零一六年六月三十日的結餘(未經審核)	39,115	6,299,142	5,959,114	(11,262,576)	57,080	-	68,515	115,144	7,231,588	8,507,122	123,410	8,630,532
Balance as at 1 January 2017 (Audited)	於二零一七年一月一日的結餘(經審核)	39,115	6,299,142	5,959,114	(11,235,356)	66,011	163,336	128,404	147,427	7,397,319	8,964,512	233,152	9,197,664
Profit for the period	期內盈利	-	-	-	-	-	-	-	-	43,172	43,172	3,599	46,771
Fair value changes on available-for-sale investments, net of tax	可供出售投資之公允價值變動(扣除稅項)	-	-	-	-	-	40,849	-	-	-	40,849	-	40,849
Exchange differences arising on translation	匯兌產生的換算差額	-	-	-	-	(5,374)	-	-	-	-	(5,374)	(1,884)	(7,258)
Total comprehensive (expense) income for the period	期內全面(開支)收益總額	-	-	-	-	(5,374)	40,849	-	-	43,172	78,647	1,715	80,362
Recognition of equity-settled share-based payments (note 18)	確認以股本結算以股份為基礎之付款(附註 18)	-	-	-	-	-	-	58,176	-	-	58,176	-	58,176
Dividend paid (note 7)	已付股息(附註 7)	-	-	-	-	-	-	-	-	(211,211)	(211,211)	-	(211,211)
Transfer of statutory reserve	轉撥法定儲備	-	-	-	-	-	-	-	2,055	(2,055)	-	-	-
Balance as at 30 June 2017 (Unaudited)	於二零一七年六月三十日的結餘(未經審核)	39,115	6,299,142	5,959,114	(11,235,356)	60,637	204,185	186,580	149,482	7,227,225	8,990,124	234,867	9,124,991

Condensed Consolidated Statement of Cash Flows

簡明綜合現金流量表

For the six months ended 30 June 2017 截至二零一七年六月三十日止六個月

		Six months ended 30 June 截至六月三十日止六個月	
		2017	2016
		二零一七年	二零一六年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
		(Unaudited)	(Unaudited)
		(未經審核)	(未經審核)
Net cash (used in) from operating activities	經營活動(所用)所得現金淨額	(801,843)	523,625
Investing activities	投資活動		
Placement of restricted bank deposits	存放受限制銀行存款	(3,574,069)	(5,397,187)
Advances to related parties	向關連方支付之墊款	(928,787)	(685,816)
Placement of short-term time deposits with maturity beyond three months but within one year	存放於三個月以上但一年內到期的短期存款	(300,000)	–
Addition of investment properties	額外投資物業	(3,753)	(7,518)
Purchase of property, plant and equipment	購置物業、廠房及設備	(3,152)	(9,187)
Withdrawal of restricted bank deposits	提取受限制銀行存款	3,123,325	4,660,023
Repayment from related parties	關連方還款	1,233,835	66,100
Proceeds from disposal of other current assets	出售其他流動資產所得款項	150,000	80,000
Proceeds from disposal of investment properties	出售投資物業所得款項	31,290	8,569
Interest received	已收利息	16,237	18,649
Proceeds on disposal of property, plant and equipment	出售物業、廠房及設備所得款項	195	–
Net cash outflow on acquisition of subsidiaries	收購附屬公司產生的現金流出淨額	–	(606,837)
	15		
Net cash used in investing activities	投資活動所用的現金淨額	(254,879)	(1,873,204)
Financing activities	融資活動		
Proceeds from new borrowings	新造借貸所得款項	2,536,961	2,886,659
Capital contribution by a non-controlling shareholder of a subsidiary	非控股股東於一間附屬公司之出資	–	26,000
Repayment of borrowings	償還借貸	(1,279,569)	(860,211)
Interest paid	已付利息	(299,544)	(282,150)
Net cash from financing activities	融資活動產生的現金淨額	957,848	1,770,298
Net (decrease) increase in cash and cash equivalents	現金及現金等價物(減少)增加淨額	(98,874)	420,719
Effect of foreign exchange rate changes	外匯匯率變動的影響	(3,851)	–
Cash and cash equivalents at beginning of the period	期初現金及現金等價物	2,592,246	1,514,559
Cash and cash equivalents at end of the period	期末現金及現金等價物	2,489,521	1,935,278
Represented by:	指:		
Bank balances and cash	銀行結餘及現金	2,989,521	1,935,278
Less: Fixed deposits with original maturity date more than three months	減: 原到期日為多於三個月的定期存款	(500,000)	–
		2,489,521	1,935,278

Notes to the Condensed Consolidated Financial Statements

簡明綜合財務報表附註

For the six months ended 30 June 2017 截至二零一七年六月三十日止六個月

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKEX”).

The condensed consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, available-for-sale investments and derivative financial instruments which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are effective during the current period.

Amendments to HKAS 7 Disclosure Initiative

Amendments to HKAS 12 Recognition of Deferred Tax Assets
for Unrealised Losses

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the income from property development, property leasing and provision of comprehensive services, net of business tax and other sales related taxes and after deduction of any trade discounts.

In identifying its operating segments, the executive directors of the Company, being the chief operating decision makers, generally follow the Group’s service lines, which represent the main products and services provided by the Group. The Group has identified the following reportable segments:

- Property development and sales: sales of properties
- Commercial property investment and operations: lease of commercial properties, office premises and car parks
- Comprehensive services: hotel operation, property management service and others

1. 編製基準

簡明綜合財務報表乃根據香港會計師公會(「香港會計師公會」)頒佈的香港會計準則(「香港會計準則」)第34號「中期財務報告」及香港聯合交易所有限公司(「聯交所」)證券上市規則附錄十六的適用披露規定編製。

簡明綜合財務報表以人民幣(「人民幣」)呈列，人民幣亦為本公司的功能貨幣。

2. 主要會計政策

除投資物業、可供出售投資及衍生金融工具的按公允價值計量(如適用)外，簡明綜合財務報表乃按歷史成本基準編製。

除下文所述外，截至二零一七年六月三十日止六個月之簡明綜合財務報表中所用之會計政策及計算方法與本集團編製截至二零一六年十二月三十一日止年度的年度財務報表所採納的會計政策及計算方法相同。

於本中期期間，本集團首次應用由香港會計師公會頒佈的下列香港財務報告準則(「香港財務報告準則」)的修訂本，並於本期間生效。

香港會計準則 披露計劃
第7號(修訂本)

香港會計準則 就未變現虧損確認遞延稅項資產
第12號(修訂本)

於本中期期間應用上述香港財務報告準則之修訂本對該等簡明綜合財務報表呈報之金額及/或該等簡明綜合財務報表所載披露並無任何重大影響。

3. 收益及分類資料

收益為來自物業發展、物業租賃及提供綜合服務的收益，並扣除營業稅及其他銷售有關稅項以及任何交易折扣。

本公司執行董事(即主要營運決策人)通常根據本集團的服務(即本集團提供的主要產品及服務)確定經營分類。本集團已確定下列呈報分類：

- 物業發展及銷售：物業銷售
- 商業物業投資與經營：商業物業、辦公室及停車場租賃
- 綜合服務：酒店營運、物業管理服務及其他

Notes to the Condensed Consolidated Financial Statements

簡明綜合財務報表附註

For the six months ended 30 June 2017 截至二零一七年六月三十日止六個月

3. REVENUE AND SEGMENT INFORMATION (Cont'd)

Each of these operating segments is managed separately as each of these products and service lines requires different resources as well as marketing approaches.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segment:

Six months ended 30 June 2017

		Property development and sales 物業開發 及銷售 RMB'000 人民幣千元 (Unaudited) (未經審核)	Commercial property investment and operations 商業物業 投資與經營 RMB'000 人民幣千元 (Unaudited) (未經審核)	Comprehensive services 綜合服務 RMB'000 人民幣千元 (Unaudited) (未經審核)	Consolidated 綜合 RMB'000 人民幣千元 (Unaudited) (未經審核)
SEGMENT REVENUE	分類收益				
External sales	外界銷售	236,036	238,101	120,925	595,062
Inter-segment revenue	分類間收益	–	4,803	–	4,803
Total segment revenue	分類收益總額	236,036	242,904	120,925	599,865
SEGMENT RESULTS	分類業績				
Reportable segment profit	可呈報分類盈利	88,496	210,885	44,309	343,690

Six months ended 30 June 2016

		Property development and sales 物業開發 及銷售 RMB'000 人民幣千元 (Unaudited) (未經審核)	Commercial property investment and operations 商業物業 投資與經營 RMB'000 人民幣千元 (Unaudited) (未經審核)	Comprehensive services 綜合服務 RMB'000 人民幣千元 (Unaudited) (未經審核)	Consolidated 綜合 RMB'000 人民幣千元 (Unaudited) (未經審核)
SEGMENT REVENUE	分類收益				
External sales	外界銷售	3,445,760	209,705	108,297	3,763,762
Inter-segment revenue	分類間收益	–	5,167	–	5,167
Total segment revenue	分類收益總額	3,445,760	214,872	108,297	3,768,929
SEGMENT RESULTS	分類業績				
Reportable segment profit	可呈報分類盈利	1,475,914	173,283	51,915	1,701,112

Inter-segment sales are at mutually agreed terms.

3. 收益及分類資料(續)

由於該等產品及服務系列各自需要不同的資源及營銷方式，故該等經營分類獲單獨管理。

分類收益及業績

以下為本集團按經營及可呈報分類劃分的收益及業績的分析：

截至二零一七年六月三十日止六個月

截至二零一六年六月三十日止六個月

分類間銷售按共同協定之條款進行。

Notes to the Condensed Consolidated Financial Statements

簡明綜合財務報表附註

For the six months ended 30 June 2017 截至二零一七年六月三十日止六個月

3. REVENUE AND SEGMENT INFORMATION (Cont'd)

Reconciliations of reportable segment revenue, profit or loss

The Group does not allocate fair value changes on investment properties, fair value changes on derivative financial instruments, other income, other gains and losses, depreciation and amortisation, finance costs, share of results of joint ventures and corporate expenses to individual reportable segment profit or loss for the purposes of resource allocation and performance assessment by the chief operating decision makers.

The accounting policies adopted in preparing the reportable segment information are the same as the Group's accounting policies.

3. 收益及分類資料(續)

可呈報分類收益、損益之對賬

本集團並無就主要營運決策者作出之資源分配及表現評估而將投資物業公允價值變動、衍生金融工具的公允價值變動、其他收入、其他收益及虧損、折舊及攤銷、融資成本、應佔合營公司業績及公司開支分配至獨立可呈報分類之損益內。

編製可呈報分類資料所採納之會計政策與本集團之會計政策相同。

		Six months ended 30 June 截至六月三十日止六個月	
		2017 二零一七年 RMB'000 人民幣千元 (Unaudited) (未經審核)	2016 二零一六年 RMB'000 人民幣千元 (Unaudited) (未經審核)
Revenue	收益		
Reportable segment revenue	可呈報分類收益	599,865	3,768,929
Elimination of inter-segment revenue	對銷分類間收益	(4,803)	(5,167)
Consolidated revenue	綜合收益	595,062	3,763,762
Profit	盈利		
Reportable segment profit	可呈報分類盈利	343,690	1,701,112
Other income, other gains and losses	其他收入、其他收益及虧損	21,448	29,402
Depreciation and amortisation	折舊及攤銷	(21,664)	(18,911)
Fair value changes on investment properties	投資物業的公允價值變動	175,845	624
Finance costs	融資成本	(265,555)	(150,493)
Share of results of joint ventures	應佔合營公司業績	(92)	-
Fair value changes on derivative financial instruments	衍生金融工具的公允價值變動	41,373	-
Corporate expenses	公司開支	(171,596)	(177,132)
Consolidated profit before tax	除稅前綜合盈利	123,449	1,384,602

Notes to the Condensed Consolidated Financial Statements

簡明綜合財務報表附註

For the six months ended 30 June 2017 截至二零一七年六月三十日止六個月

3. REVENUE AND SEGMENT INFORMATION (Cont'd)

Segment assets and liabilities

The following is an analysis of the Group's assets by reportable and operating segment, no liabilities are presented as the information is not reportable to the chief operating decision makers in the resource allocation and assessment of performance:

Segment assets

		At 30 June 2017	At 31 December 2016
		於二零一七年 六月三十日	於二零一六年 十二月三十一日
		RMB'000	RMB'000
		(Unaudited)	(Audited)
		(未經審核)	(經審核)
Property development and sales	物業發展及銷售	6,028,666	5,758,178
Commercial property investment and operations	商業物業投資與經營	12,401,066	12,227,872
Comprehensive services	綜合服務	357,072	373,570
Reportable segment assets	可報告分類資產	18,786,804	18,359,620
Goodwill	商譽	231,602	231,602
Available-for-sale investments and other current assets	可供出售投資及其他 流動資產	875,513	761,048
Bank balances and cash (including restricted bank deposits)	銀行結餘及現金 (包括受限制銀行存款)	5,179,255	4,531,236
Deferred tax assets	遞延稅項資產	194,462	190,151
Interests in joint ventures	於合營公司的權益	528,292	528,384
Corporate assets	公司資產	1,387,395	1,322,477
Consolidated total assets	綜合總資產	27,183,323	25,924,518

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to operating segments other than goodwill, interests in joint ventures, available-for-sale investments and other current assets, bank balances and cash (including restricted bank deposits), deferred tax assets and corporate assets.

3. 收益及分類資料(續)

分類資產及負債

以下為本集團按可報告及經營分類的資產分析，由於毋須就資源分配及評估業績向主要營運決策者呈報負債，因此並無呈列該等資料：

分類資產

	At 30 June 2017	At 31 December 2016
	於二零一七年 六月三十日	於二零一六年 十二月三十一日
	RMB'000	RMB'000
	(Unaudited)	(Audited)
	(未經審核)	(經審核)
Property development and sales	6,028,666	5,758,178
Commercial property investment and operations	12,401,066	12,227,872
Comprehensive services	357,072	373,570
Reportable segment assets	18,786,804	18,359,620
Goodwill	231,602	231,602
Available-for-sale investments and other current assets	875,513	761,048
Bank balances and cash (including restricted bank deposits)	5,179,255	4,531,236
Deferred tax assets	194,462	190,151
Interests in joint ventures	528,292	528,384
Corporate assets	1,387,395	1,322,477
Consolidated total assets	27,183,323	25,924,518

為監測分類業績及分類間的資源分配，除商譽、於合營公司之權益、可供出售投資及其他流動資產、銀行結餘及現金(包括受限制銀行存款)、遞延稅項資產及公司資產外，所有資產分配至經營分類。

Notes to the Condensed Consolidated Financial Statements

簡明綜合財務報表附註

For the six months ended 30 June 2017 截至二零一七年六月三十日止六個月

4. FINANCE COSTS

4. 融資成本

		Six months ended 30 June 截至六月三十日止六個月	
		2017	2016
		二零一七年	二零一六年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
		(Unaudited)	(Unaudited)
		(未經審核)	(未經審核)
Interest on bank and other borrowings	銀行及其他借貸利息	330,308	282,150
Interest expense on convertible bonds	可換股債券之利息開支	53,872	–
Front-end fee	前期費用	425	2,038
Less: Amount capitalised in investment properties under development and properties under development for sale*	減：撥充在建投資物業及發展中待售物業資本化之金額*	(119,050)	(133,695)
		265,555	150,493

* The finance costs have been capitalised at rates ranging from 3.64% to 6.50% (six months ended 30 June 2016: 4.35% to 8.95%) per annum.

* 融資成本乃按介乎3.64%至6.50% (截至二零一六年六月三十日止六個月：4.35%至8.95%)之年息率資本化。

5. PROFIT BEFORE TAX

5. 除稅前盈利

		Six months ended 30 June 截至六月三十日止六個月	
		2017	2016
		二零一七年	二零一六年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
		(Unaudited)	(Unaudited)
		(未經審核)	(未經審核)
Profit before tax is arrived at after charging (crediting):	除稅前盈利乃經扣除(計入):		
Cost of properties held for sale recognised as expense	確認為開支的待售物業的成本	147,540	1,969,846
Depreciation and amortisation of property, plant and equipment	物業、廠房及設備折舊及攤銷	21,720	19,675
Less: amount capitalised in investment properties under development and properties under development for sale	減：撥充在建投資物業及發展中待售物業資本化之金額	(56)	(764)
		21,664	18,911
Gross rental income from investment properties	投資物業所得租金收入總額	238,101	209,705
Outgoings in respect of investment properties that generated rental income during the period	有關於期內產生租金收入之投資物業的開支	(27,216)	(36,422)
		210,885	173,283
Operating lease charges in respect of land and buildings	有關土地及樓宇的經營租賃費用	12,407	16,192
Staff costs	員工成本		
– Directors' remuneration	– 董事薪酬	14,239	20,040
– Salaries and other benefits in kind	– 薪金及其他實物利益	83,034	70,732
– Equity-settled share-based payments	– 以股權結算以股份支付的款項	47,593	53,515
– Amount recognised as expense for retirement benefit costs	– 確認為退休福利成本開支的數額	10,504	10,182
Less: Amount capitalised in investment properties under development and properties under development for sale	減：撥充在建投資物業及發展中待售物業資本化的數額	(20,546)	(29,442)
		134,824	125,027
Loss on disposal of property, plant and equipment	出售物業、廠房及設備的虧損	6	298
Foreign exchange loss (gain), net	匯兌虧損(收益)淨額	533	(6,873)

Notes to the Condensed Consolidated Financial Statements

簡明綜合財務報表附註

For the six months ended 30 June 2017 截至二零一七年六月三十日止六個月

6. INCOME TAX EXPENSE

6. 所得稅開支

		Six months ended 30 June	
		截至六月三十日止六個月	
		2017	2016
		二零一七年	二零一六年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
		(Unaudited)	(Unaudited)
		(未經審核)	(未經審核)
Current tax	即期稅項		
– PRC Enterprise Income Tax (“EIT”)	– 中國企業所得稅 (「企業所得稅」)	(a) 19,979	83,877
– PRC Land Appreciation Tax (“LAT”)	– 中國土地增值稅 (「土地增值稅」)	(b) 2,510	620,329
		22,489	704,206
Deferred taxation	遞延稅項	54,189	110,319
Total income tax expense	所得稅開支總額	76,678	814,525

Notes:

附註：

(a) Under the Law of the People's Republic of China (the “PRC”) on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

(a) 根據中華人民共和國(「中國」)企業所得稅法(「企業所得稅法」)及企業所得稅法實施條例，自二零零八年一月一日起，中國附屬公司的稅率為25%。

No Hong Kong Profits Tax has been provided for as the Group had no estimated assessable profits for both periods.

由於本集團於兩個期間並無任何估計應課稅盈利，故此並無就任何香港利得稅計提撥備。

(b) Under the Provisional Rules on LAT Implementation Rules of the PRC implemented on 27 January 1995, all gains from the sales or transfer of land use rights, buildings and their attached facilities in the PRC are subject to LAT 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 cost of land use rights and all property development expenditures.

(b) 根據於一九九五年一月二十七日實施的中國土地增值稅暫行條例實施細則，所有因銷售或轉讓於中國的土地使用權、樓宇及其相關設施而獲得的收益，均須繳納土地增值稅，稅款按土地增值額(即銷售物業所得款項減可扣減支出，包括土地使用權成本及所有物業發展開支)以累進率計算，由30%至60%不等。

7. DIVIDENDS

7. 股息

		Six months ended 30 June	
		截至六月三十日止六個月	
		2017	2016
		二零一七年	二零一六年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
		(Unaudited)	(Unaudited)
		(未經審核)	(未經審核)
Dividends recognised as distribution during the period:	期內確認為分派之股息：		
2016 Final dividend – HK5 cents	二零一六年末期股息 – 5港仙		
(equivalent to approximately RMB4.5 cents)	(相當於約人民幣4.5分)	211,211	–

The dividends recognised as distribution for the year ended 31 December 2016 were subsequently paid on 21 July 2017.

截至二零一六年十二月三十一日止年度確認為分派的股息其後於二零一七年七月二十一日派付。

No dividend for the six months ended 30 June 2016 and 30 June 2017 had been proposed by the directors of the Company.

本公司董事已建議不派發截至二零一六年六月三十日及二零一七年六月三十日止六個月之股息。

Notes to the Condensed Consolidated Financial Statements

簡明綜合財務報表附註

For the six months ended 30 June 2017 截至二零一七年六月三十日止六個月

9. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

(a) Capital expenditure

During the current interim period, the Group incurred capital expenditure of approximately RMB159,928,000 and RMB3,753,000 for property, plant and equipment and investment properties, respectively (six months ended 30 June 2016: RMB9,187,000 and RMB7,518,000, respectively).

During the current interim period, the Group has written off property, plant and equipment with net carrying amount of RMB201,000 (six months ended 30 June 2016: RMB298,000).

(b) Valuation

The fair values of the investment properties at 30 June 2017 and 31 December 2016 have been arrived at on the basis of a valuation carried out by Messrs Jones Lang LaSalle Corporate Appraisal and Advisory Limited, which is independent qualified professional valuers not connected to the Group.

Valuations were based on the properties' open market value on 30 June 2017 and 31 December 2016. The properties have been valued by capitalisation of net income method, where the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood.

10. ACCOUNTS RECEIVABLE

9. 投資物業以及物業、廠房及設備

(a) 資本開支

於本中期期間，本集團就物業、廠房及設備以及投資物業產生的資本開支分別約為人民幣159,928,000元及人民幣3,753,000元(截至二零一六年六月三十日止六個月：分別為人民幣9,187,000元及人民幣7,518,000元)。

於本中期期間，本集團已撇銷賬面淨值為人民幣201,000元的物業、廠房及設備(截至二零一六年六月三十日止六個月：人民幣298,000元)。

(b) 估值

該等投資物業於二零一七年六月三十日及二零一六年十二月三十一日的公允價值，乃依據仲量聯行企業評估及諮詢有限公司所進行的估值釐定，該公司為與本集團並無關連之獨立合資格專業估值師。

估值乃根據二零一七年六月三十日及二零一六年十二月三十一日的物業公開市場價值釐定。該等物業乃根據收益淨額法資本化作出估值，而該等物業所有可出租單位之市場租金，乃參考該等可出租單位的已訂租金以及鄰近地區相似物業其他出租單位之租金而作出評估。

10. 應收賬款

		At 30 June 2017 於二零一七年 六月三十日 RMB'000 人民幣千元 (Unaudited) (未經審核)	At 31 December 2016 於二零一六年 十二月三十一日 RMB'000 人民幣千元 (Audited) (經審核)
Accounts receivable	應收賬款	17,736	17,329
Less: Allowance for doubtful debts	減：呆賬撥備	(793)	(793)
		16,943	16,536

Notes to the Condensed Consolidated Financial Statements

簡明綜合財務報表附註

For the six months ended 30 June 2017 截至二零一七年六月三十日止六個月

10. ACCOUNTS RECEIVABLE (Cont'd)

Accounts receivable represent receivables arising from sales of properties, rental income from leasing properties and comprehensive services (including hotel operation and property management). For the receivables arising from sales of properties, they are due for settlement in accordance with the terms of the relevant sales and purchase agreements. For the receivables arising from rental income from leasing properties, monthly rents are normally received in advance and sufficient rental deposits are held to minimise credit risk. For accounts receivable generated from hotel operation, the credit terms is repayable on demand. For accounts receivable generated from property management, receivable generally have credit terms of 30 to 60 days (31 December 2016: 30 to 60 days).

All accounts receivable are denominated in RMB. The ageing analysis of the Group's accounts receivable, based on invoice dates for rental income from leasing properties and comprehensive services and the terms of relevant sales and purchases agreements for sales of properties, is as follows:

Within 1 month	一個月內
1 to 12 months	1至12個月
13 to 24 months	13至24個月
Over 24 months	超過24個月

The movement in the allowance for doubtful debts during the period, including both specific and collective loss components, is as follows:

At 1 January	於一月一日
Reversal on impairment loss recognised	已確認減值虧損之撥回

At 30 June/31 December 於六月三十日/十二月三十一日

Included in the Group's accounts receivable balances are debtors with aggregate carrying amount of RMB14,558,000 (31 December 2016: RMB10,019,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss, of which 60% (31 December 2016: 77%) are past due within twelve months, and 40% (31 December 2016: 23%) are past due over twelve months, based on the repayment terms. No provision for impairment is considered necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

10. 應收賬款(續)

應收賬款指銷售物業、租賃物業的租金收入及綜合服務(包括酒店營運及物業管理)的應收款項。就銷售物業產生的應收款項而言，該等款項乃根據相關買賣協議條款到期應付。就租賃物業的租金收入產生的應收款項而言，每月租金通常預先收取，並持有充足的租金按金以減低信貸風險。就酒店營運產生的應收賬款而言，信貸期乃須按求償還。物業管理所得的應收賬款的信貸期一般為30至60天(二零一六年十二月三十一日：30至60天)。

所有應收賬款以人民幣計值。本集團應收賬款的賬齡按有關租賃物業的租金收入及綜合服務發票日期以及相關物業銷售買賣協議條款分析如下：

	At 30 June 2017 於二零一七年 六月三十日 RMB'000 人民幣千元 (Unaudited) (未經審核)	At 31 December 2016 於二零一六年 十二月三十一日 RMB'000 人民幣千元 (Audited) (經審核)
	4,363	6,517
	8,131	7,741
	3,317	1,176
	1,132	1,102
	16,943	16,536

期內的呆賬撥備變動(包括特定及整體虧損組成部分)如下：

	At 30 June 2017 於二零一七年 六月三十日 RMB'000 人民幣千元 (Unaudited) (未經審核)	At 31 December 2016 於二零一六年 十二月三十一日 RMB'000 人民幣千元 (Audited) (經審核)
	793	832
	-	(39)
	793	793

計入本集團應收賬款結餘之款項為賬面總值為人民幣14,558,000元(二零一六年十二月三十一日：人民幣10,019,000元)之應收款項，已於報告期末逾期，而本集團並無就此作出減值虧損撥備，根據還款期限，其中60%(二零一六年十二月三十一日：77%)於十二個月內逾期，40%(二零一六年十二月三十一日：23%)於十二個月後逾期。由於有關信貸質素並無重大變動且有關結餘被認為仍可悉數收回，故被認為並無必要就該等結餘作出減值撥備。

Notes to the Condensed Consolidated Financial Statements

簡明綜合財務報表附註

For the six months ended 30 June 2017 截至二零一七年六月三十日止六個月

11. AVAILABLE-FOR-SALE INVESTMENTS

11. 可供出售投資

		At 30 June 2017 於二零一七年 六月三十日 RMB'000 人民幣千元 (Unaudited) (未經審核)	At 31 December 2016 於二零一六年 十二月三十一日 RMB'000 人民幣千元 (Audited) (經審核)
Net carrying amount as at 1 January	於一月一日之賬面淨值	561,048	343,267
Fair value changes	公允價值變動	54,465	217,781
Transfer from deposit paid for acquisition of equity interests	轉撥自收購股權之已付按金	210,000	-
Net carrying amount as at period/year ended	於期/年末之賬面淨值	825,513	561,048

The investments represent 0.40% shareholding in a public listed equity securities in the PRC which were stated at fair value at RMB615,513,000 (31 December 2016: RMB561,048,000) and 10% equity interests in Apex Leader Limited ("Apex"), a company incorporated in British Virgin Islands ("BVI") amounted to RMB210,000,000 (31 December 2016: nil). Apex held 100% equity interests in Zhuhai Kaiwei Property Co., Ltd. ("珠海凱威置業有限公司") which is engaged in property development in the PRC. The Group neither have control, joint control nor significant influence regarding the relevant activities of the investments. The deposit paid as at 31 December 2016 for acquisition of equity interests amounted to RMB210,000,000 has been transferred to available-for-sale investments in current period upon the relevant transaction has been completed on 16 January 2017.

該等投資佔於中國公開上市股權證券之0.40%股權，並按公允價值人民幣615,513,000元(二零一六年十二月三十一日：人民幣561,048,000元)及Apex Leader Limited(「Apex」，一間於英屬維爾京群島(「英屬維爾京群島」)註冊成立的公司) 10%股權人民幣210,000,000元(二零一六年十二月三十一日：無)列賬。Apex持有於中國從事物業發展之珠海凱威置業有限公司100%股權。本集團對該等投資相關業務並無控制權、聯合控制權或重大影響。於二零一六年十二月三十一日，收購股權之已付按金為人民幣210,000,000元，並已於二零一七年一月十六日完成有關交易後在本期間轉撥至可供出售投資。

12. ACCOUNTS PAYABLE

12. 應付賬款

Based on invoice dates, the ageing analysis of the Group's accounts payable is as follows:

本集團應付賬款的賬齡按發票日期分析如下：

		At 30 June 2017 於二零一七年 六月三十日 RMB'000 人民幣千元 (Unaudited) (未經審核)	At 31 December 2016 於二零一六年 十二月三十一日 RMB'000 人民幣千元 (Audited) (經審核)
Within 1 month	一個月內	617,647	832,363
1 to 12 months	1至12個月	67,282	35,676
13 to 24 months	13至24個月	14,512	16,866
Over 24 months	超過24個月	32,521	36,533
		731,962	921,438

Notes to the Condensed Consolidated Financial Statements

簡明綜合財務報表附註

For the six months ended 30 June 2017 截至二零一七年六月三十日止六個月

13. BORROWINGS

13. 借貸

		At 30 June 2017 於二零一七年 六月三十日 RMB'000 (Unaudited) (未經審核)	At 31 December 2016 於二零一六年 十二月三十一日 RMB'000 (Audited) (經審核)
Borrowings comprise:	借貸包括：		
– Variable rate bank loans	– 浮息銀行貸款	9,649,916	8,228,366
– Fixed rate bank loans	– 定息銀行貸款	192,530	272,845
– Other borrowings	– 其他借貸	250,000	280,000
– Loans from non-controlling interests	– 非控股權益貸款	–	66,544
– Domestic corporate bond	– 境內公司債券	2,600,000	2,600,000
		12,692,446	11,447,755
Less: Front-end fee	減：前期費用	(27,920)	(30,488)
		12,664,526	11,417,267
Analysed as:	分析：		
– Secured	– 有抵押	9,992,047	8,597,491
– Unsecured	– 無抵押	2,672,479	2,819,776
		12,664,526	11,417,267
Total borrowings	借貸總計	12,692,446	11,447,755
Less: Amount due within one year shown under current liabilities	減：流動負債項下於一年內 到期之款項	(4,614,914)	(3,580,323)
Less: Front-end fee	減：前期費用	(27,920)	(30,488)
Amount due after one year	於一年後到期之款項	8,049,612	7,836,944

Notes to the Condensed Consolidated Financial Statements

簡明綜合財務報表附註

For the six months ended 30 June 2017 截至二零一七年六月三十日止六個月

13. BORROWINGS (Cont'd)

During the current interim period, the Group repaid loans amounting to RMB1,279,569,000 (six months ended 30 June 2016: RMB860,211,000) and drew new bank loans amounting to RMB2,536,961,000 (six months ended 30 June 2016: RMB2,886,659,000).

On 26 August 2016, a subsidiary of the Company, Zhengxinglong Real Estate (Shenzhen) Co., Ltd. ("Zhengxinglong") issued a domestic corporate bond (the "Bond") with a principal amount of RMB2.6 billion and will be repayable in full by 26 August 2021. Zhengxinglong shall have an option to rise the coupon rate from 6.5% up to 7.5% per annum after the end of the third year ("coupon rate adjustment"). Zhengxinglong will make an announcement of the determination on the coupon rate adjustment and irrespective of whether adjustment will be made or not, the investor can exercise retractable option within 3 working days from the third anniversary of the issue date.

The Bond is listed in Shenzhen Stock Exchange. In the opinion of the directors, the fair values of the entitlement of coupon rate adjustment and investor's entitlement of selling back the Bond are insignificant at initial recognition and at the end of reporting period.

The directors estimate the fair value of the Bond as at 30 June 2017 to be RMB2,535,000,000 (31 December 2016: RMB2,535,000,000) with reference to the quoted market price of the Bond.

13. 借貸(續)

於本中期期間，本集團已償還貸款人民幣1,279,569,000元(截至二零一六年六月三十日止六個月：人民幣860,211,000元)，並提取新的銀行貸款人民幣2,536,961,000元(截至二零一六年六月三十日止六個月：人民幣2,886,659,000元)。

於二零一六年八月二十六日，本公司之附屬公司正興隆房地產(深圳)有限公司(「正興隆」)發行境內公司債券(「該債券」)，本金額為人民幣2,600,000,000元，而有關金額將於二零二一年八月二十六日全數償還。正興隆可選擇於第三年結束後將年票息率自6.5%上調至最多7.5% (「票息率調整」)。正興隆將就票息率調整的決定作出公告(不論是否將會作出調整)，而投資者可自發行日期第三週年當日起的三個工作天內行使回售選擇權。

該債券於深圳證券交易所上市。董事認為，票息率調整權利及投資者回售該債券之權利之公允價值於初始確認及報告期末時並不重大。

經參考該債券之市場報價後，董事估計該債券於二零一七年六月三十日之公允價值為人民幣2,535,000,000元(二零一六年十二月三十一日：人民幣2,535,000,000元)。

14. SHARE CAPITAL

14. 股本

		At 30 June 2017 於二零一七年六月三十日			At 31 December 2016 於二零一六年十二月三十一日		
		Number of shares 股份數目	HK\$'000 千港元	RMB'000 人民幣千元	Number of shares 股份數目	HK\$'000 千港元	RMB'000 人民幣千元
Authorised share capital of the Company:	本公司 法定股本：						
Ordinary shares of HK\$0.01 each	每股面值0.01港元的 普通股	30,000,000,000	300,000	240,000	30,000,000,000	300,000	240,000
Issued and fully paid share capital of the Company:	本公司已發行及 繳足股本：						
Ordinary shares of HK\$0.01 each	每股面值0.01港元的 普通股						
At 1 January and 30 June	於一月一日及 六月三十日	4,693,582,792	46,935	39,115	4,693,582,792	46,935	39,115

Notes to the Condensed Consolidated Financial Statements

簡明綜合財務報表附註

For the six months ended 30 June 2017 截至二零一七年六月三十日止六個月

15. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY

As detailed in the announcements issued by the Company dated 30 July 2015, 13 August 2015 and 22 March 2016, Jianmai Limited, an indirect 75%-owned subsidiary of the Company as the purchaser entered into an acquisition agreement on 31 July 2015, with Hanison Construction Holdings (BVI) Limited, an independent third party to the Group as the vendor and Sanney Limited, an independent third party to the Group, as vendor's guarantor pursuant to which Jianmai Limited conditionally agreed to acquire from the vendor the entire issued capital in Wisdom Concept Development Limited ("Wisdom Concept") for an aggregate consideration of HK\$710,000,000 (equivalent to RMB606,837,000). Wisdom Concept is engaging in property development in Hong Kong of which the main asset is a land held for development and thus the acquisition was regarded as acquisition of assets and liabilities through acquisition of a subsidiary. The acquisition was completed on 22 March 2016.

Assets and liabilities recognised at the date of acquisition:

15. 透過收購附屬公司收購資產及負債

誠如本公司於二零一五年七月三十日、二零一五年八月十三日及二零一六年三月二十二日刊發的公告所詳述，於二零一五年七月三十日，景邁有限公司（本公司間接擁有75%權益之附屬公司，作為買方）與本集團獨立第三方Hanison Construction Holdings (BVI) Limited（作為賣方）及本集團獨立第三方駿生有限公司（作為賣方之擔保方）訂立收購協議，據此，景邁有限公司有條件同意向賣方收購聰勁發展有限公司（「聰勁」）之全部已發行股本，總代價為710,000,000港元（相當於人民幣606,837,000元）。聰勁於香港從事物業發展，其主要資產為持作開發土地，因此，該收購事項被視為透過收購一間附屬公司收購資產及負債。該收購事項於二零一六年三月二十二日完成。

於收購日期確認之資產及負債：

		RMB'000 人民幣千元
Properties under development for sale	發展中待售物業	606,906
Other receivables	其他應收款項	6
Accruals, deposits received and other payables	應計費用、已收按金及其他應付款項	(75)
Net assets acquired	已收購資產淨值	606,837
Net cash outflow arising on acquisition:	收購帶來的現金流出淨額：	
		RMB'000 人民幣千元
Cash consideration paid	已付現金代價	606,837

Notes to the Condensed Consolidated Financial Statements

簡明綜合財務報表附註

For the six months ended 30 June 2017 截至二零一七年六月三十日止六個月

16. DISPOSAL OF A SUBSIDIARY

On 26 April 2016, the Group as the vendor entered into a sale and purchase agreement with Huizhou Manha Real Estate Development Co., Ltd., an independent third party of the Group, as the purchaser to dispose of the entire equity interests in a wholly-owned subsidiary, Huizhou LVGEM Real Estate Development Co., Ltd. (“Huizhou LVGEM”) at a consideration of RMB54,798,000. Huizhou LVGEM was engaged in property development in Huizhou, the PRC. The disposal was completed on 10 August 2016.

Net assets of the above subsidiary at the date of disposal were as follows:

		RMB'000 人民幣千元
Net assets disposed of:	已出售資產淨值：	
Properties under development for sale	發展中待售物業	36,419
Bank balances and cash	銀行結餘及現金	39
		36,458
Gain on disposal of a subsidiary (included in “other income”)	出售一間附屬公司收益(計入「其他收入」)	18,340
Total consideration	總代價	54,798

An analysis of the net cash inflow of cash and cash equivalents in respect of the disposal is as follows:

		RMB'000 人民幣千元
Total cash consideration received	已收總現金代價	54,798
Bank balances and cash disposed of	已出售銀行結餘及現金	(39)
Net cash inflow on disposal	出售的現金流入淨額	54,759

16. 出售一間附屬公司

於二零一六年四月二十六日，本集團(作為賣方)與本集團獨立第三方惠州市曼哈房地產開發有限公司(作為買方)訂立買賣協議，以出售全資附屬公司惠州綠景房地產開發有限公司(「惠州綠景」)的全部股權，代價為人民幣54,798,000元。惠州綠景於中國惠州從事物業發展。該出售事項於二零一六年八月十日完成。

於出售日期，上述附屬公司的資產淨值如下：

		RMB'000 人民幣千元
已出售資產淨值：		
發展中待售物業		36,419
銀行結餘及現金		39
		36,458
出售一間附屬公司收益(計入「其他收入」)		18,340
總代價		54,798

有關出售事項的現金及現金等價物現金流入淨額分析如下：

		RMB'000 人民幣千元
已收總現金代價		54,798
已出售銀行結餘及現金		(39)
出售的現金流入淨額		54,759

Notes to the Condensed Consolidated Financial Statements

簡明綜合財務報表附註

For the six months ended 30 June 2017 截至二零一七年六月三十日止六個月

17. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS

17. 可換股債券及衍生金融工具

(a) Convertible bonds

(a) 可換股債券

		At 30 June 2017 於二零一七年 六月三十日 RMB'000 人民幣千元 (Unaudited) (未經審核)	At 31 December 2016 於二零一六年 十二月三十一日 RMB'000 人民幣千元 (Audited) (經審核)
Net carrying amount as at 1 January	於一月一日的賬面淨值	559,186	–
Issue of convertible bonds (the “CB 2018”)	發行可換股債券 (「二零一八年可換股債券」)	–	550,530
Interest expense	利息開支	53,872	13,258
Interest paid	已付利息	(18,701)	(4,602)
Exchange difference	匯兌差額	(17,253)	–
Net carrying amount as at period/year ended	於期末/年末的賬面淨值	577,104	559,186

On 6 November 2016, the Company entered into a Convertible Bonds Subscription Agreement (the “Agreement”) with a third party, Chance Talent Management Limited (the “Subscriber”). Pursuant to the Agreement, the Subscriber agreed to acquire the CB 2018 with aggregate principal amount of US\$100 million at interest rate of 5.5% per annum, payable by the Company semi-annually in arrears from the issue date. The maturity date is on the second anniversary of the issue date. The CB 2018 were issued to the Subscriber on 18 November 2016.

The bondholder has the right to convert the CB 2018 in whole or in part into shares at any time on or after the issue date of the CB 2018 up to the respective maturity. 281,159,420 new shares will be issued upon full conversion of the CB 2018 based on the initial conversion price of HK\$2.76.

The CB 2018 will be redeemed on maturity at a value equal to the amount equal to the aggregate of (a) the aggregate principal amount of such outstanding CB 2018; (b) any accrued but unpaid interest on such outstanding CB 2018 on the redemption date (other than default interest); and (c) (if the sum of the amounts referred to above (a) and (b) fall short of making up an internal rate of return of 8% on the aggregate principal amount of CB 2018) such additional amount which would make up an internal rate of 8% on the aggregate principal amount of CB 2018.

Further details of the terms and conditions of the CB 2018 were disclosed in the announcements of the Company dated 6 November 2016, 8 November 2016 and 18 November 2016 respectively.

The CB 2018 contains two components, debt component and derivative component. The effective interest rates of the debt component is 19.98% per annum. The derivative component is measured at fair value with changes in fair value recognised in profit and loss.

於二零一六年十一月六日，本公司與一名第三方Chance Talent Management Limited (「認購人」)訂立一份可換股債券認購協議(「該協議」)。根據該協議，認購人同意收購本金總額為1億美元、按年利率5.5%計息的二零一八年可換股債券，利息自發行日期起於每半年末由本公司支付。到期日為發行日期起計滿兩週年。二零一八年可換股債券於二零一六年十一月十八日發行予認購人。

債券持有人有權於二零一八年可換股債券發行日期當日或之後至相關到期日止隨時將全部或部份二零一八年可換股債券轉換為股份。281,159,420股新股份將於二零一八年可換股債券獲悉數轉換後按初步兌換價2.76港元發行。

二零一八年可換股債券將於到期日贖回，價值等同相等於下列總和之金額(a)有關未轉換二零一八年可換股債券之本金總額；(b)任何有關未轉換二零一八年可換股債券於贖回日期之應計但未付利息(違約利息除外)；及(c) (倘上文(a)及(b)項所述款項之總和不足以令內部回報率達二零一八年可換股債券本金總額之8%)將令內部回報率達二零一八年可換股債券本金總額8%之有關額外金額。

二零一八年可換股債券的條款及條件的進一步詳情於本公司日期分別為二零一六年十一月六日、二零一六年十一月八日及二零一六年十一月十八日的公告內披露。

二零一八年可換股債券包括兩個部分(債務部分及衍生工具部分)。債務部分的實際利率為每年19.98%。衍生工具部分按公允價值及於損益中確認的公允價值變動計量。

Notes to the Condensed Consolidated Financial Statements

簡明綜合財務報表附註

For the six months ended 30 June 2017 截至二零一七年六月三十日止六個月

17. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

17. 可換股債券及衍生金融工具(續)

(b) Derivative financial instruments

(b) 衍生金融工具

		At 30 June 2017 於二零一七年 六月三十日 RMB'000 人民幣千元 (Unaudited) (未經審核)	At 31 December 2016 於二零一六年 十二月三十一日 RMB'000 人民幣千元 (Audited) (經審核)
Net carrying amount as at 1 January	於一月一日的賬面淨值	120,496	-
Embedded derivatives at the date of issue of convertible bonds	於可換股債券發行日期的嵌入式衍生工具	-	135,518
Gain arising on changes in fair value	公允價值變動產生的收益	(41,373)	(15,022)
Net carrying amount as at period/year ended	於期末/年末的賬面淨值	79,123	120,496

The methods and assumptions applied for the valuation of the CB 2018 at initial recognition, 31 December 2016 and 30 June 2017 were as follows:

The fair value of the derivative financial instruments as at 30 June 2017 and 31 December 2016 derived by using the Binomial Option Pricing Model were approximately RMB79,123,000 and RMB120,496,000, respectively, which were determined by the directors of the Company with reference to the valuation performed by Asset Appraisal Limited, a firm of independent professional valuers with appropriate qualifications and recent experiences in the valuation of similar derivative instruments with reference to market values. During the six months ended 30 June 2017, the Group recognised the fair value change of RMB41,373,000 in the condensed consolidated statements of profit or loss (six months ended 30 June 2016: nil).

The inputs used in the Binomial Option Pricing Model adopted by the independent professional valuer in determining the fair values at the respective dates were as follows:

於初步確認、於二零一六年十二月三十一日及於二零一七年六月三十日對二零一八年可換股債券進行估值時所應用的方法及假設如下：

衍生金融工具於二零一七年六月三十日及二零一六年十二月三十一日採用二項式期權定價模型衍生之公允價值分別約為人民幣79,123,000元及人民幣120,496,000元。有關金額乃本公司董事參考中誠達資產評估顧問有限公司進行的估值而釐定，該公司乃擁有適當資格的獨立專業估值師，且在參考市值評估同類衍生工具方面擁有近期經驗。截至二零一七年六月三十日止六個月，本集團於簡明綜合損益表中確認公允價值變動人民幣41,373,000元（截止二零一六年六月三十日止六個月：無）。

獨立專業估值師於各日期釐定公允價值時所採納的二項式期權定價模型中所用的輸入數據如下：

		At date of issue 於發行日期	At 31 December 2016 於二零一六年 十二月三十一日	At 30 June 2017 於二零一七年 六月三十日
Share price	股價	HK\$2.49 2.49港元	HK\$2.39 2.39港元	HK\$2.49 2.49港元
Exercise price	行使價	HK\$2.76 2.76港元	HK\$2.76 2.76港元	HK\$2.76 2.76港元
Expected dividend yield	預期股息率	0.40%	0.42%	2.01%
Expected volatility	預期波幅	52.35%	52.18%	32.65%
Risk free interest rate	無風險利率	0.783%	1.025%	0.597%

Notes to the Condensed Consolidated Financial Statements

簡明綜合財務報表附註

For the six months ended 30 June 2017 截至二零一七年六月三十日止六個月

18. SHARE-BASED EMPLOYEE COMPENSATION

On 2 June 2016, the Company adopted a share option scheme (the "Scheme") at the annual general meeting of the Company held on 2 June 2016.

Pursuant to the Scheme, the board of directors may, at its discretion, invite any executive or non-executive directors including independent non-executive directors or any employees (whether full-time or part-time) of the Company, its subsidiaries and associated companies; any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of each member of the Group or its associated companies; any consultants, professional and other advisers to each member of the Group or its associated companies (or persons, firms or companies proposed to be appointed for providing such services); any chief executives or substantial shareholders of the Company; any associates of any director, chief executive or substantial shareholder of the Company; and any employees (whether full-time or part-time) of substantial shareholders of the Company, provided that the Board may have absolute discretion to determine whether or not one falls within the above categories, (together, the "Participants" and each a "Participant"), to take up options ("Option(s)") to subscribe for shares at a price determined in accordance with the paragraph below.

In determining the basis of eligibility of each Participant, the board of directors would take into account such factors as the board of directors may at its discretion consider appropriate.

The Scheme shall be valid and effective for a period of ten years commencing on the date on which the Scheme is adopted, after which period no further Options will be granted but in all other respects the provisions of the Scheme shall remain in full force and effect, and Options which are granted during the life of the Scheme may continue to be exercisable in accordance with their terms of grant.

The exercise price of a share in relation to each Option granted under the Scheme shall be a price solely determined by the board of directors and notified to a Participant and shall be at least the highest of:

- (a) the closing price of the Company's shares as stated in The Stock Exchange of Hong Kong Limited ("Stock Exchange")'s daily quotations sheet on the business day on which an offer is accepted by the grantee or if such date of acceptance by the grantee is not a business day, the immediately preceding business day;
- (b) a price being the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an offer is accepted by the grantee (provided that the new issue price shall be used as the closing price for any business day falling within the period before listing of the shares where the Company has been listed for less than five business days as at the date on which an offer is accepted by the grantee); and
- (c) the nominal value of a Company's share.

18. 以股份支付的僱員薪酬

於二零一六年六月二日，本公司於二零一六年六月二日舉行之本公司股東週年大會上採納購股權計劃（「該計劃」）。

根據該計劃，董事會可酌情邀請本公司、其附屬公司及聯營公司的任何執行或非執行董事（包括獨立非執行董事）或任何僱員（不論全職或兼職）；本集團各成員公司或其聯營公司的任何僱員、執行或非執行董事所設立的全權信託的任何全權信託對象；本集團各成員公司或其聯營公司的任何諮詢人、專業人士及其他顧問（或擬委任以提供該等服務的人士、商行或公司）；本公司任何主要行政人員或主要股東；本公司任何董事、主要行政人員或主要股東的任何聯繫人；及本公司主要股東的任何僱員（不論全職或兼職），惟董事會可全權酌情釐定有關人士是否屬於上述類別（上述人士統稱為「該等參與者」及各為「參與者」），以接納購股權（「購股權」），並根據下段確定的價格認購股份。

於釐定各參與者的資格基準時，董事會將考慮其可能酌情認為恰當的有關因素。

該計劃自獲採納日期起計有效期為十年，在限期後將不會再授出購股權，惟在所有其他方面，該計劃的條文仍具有十足效力及作用，於該計劃期限內授出的購股權可按其授出條款繼續行使。

根據該計劃授出的每份購股權涉及的一股股份的行使價，將由董事會獨自釐定及知會參與者，而行行使價最低為（以最高者為準）：

- (a) 於要約獲承授人接納的營業日（或如承授人接納要約當日並非營業日，則為緊接該日前的營業日）香港聯合交易所有限公司（「聯交所」）每日報價表所報本公司股份的收市價；
- (b) 緊接要約獲承授人接納當日前五個營業日聯交所每日報價表所報本公司股份的平均收市價（惟倘本公司於要約獲承授人接納當日前已上市的天數少於五個營業日，則新發行價應用作股份上市前期間任何營業日的收市價）；及
- (c) 一股本公司股份面值。

Notes to the Condensed Consolidated Financial Statements

簡明綜合財務報表附註

For the six months ended 30 June 2017 截至二零一七年六月三十日止六個月

18. SHARE-BASED EMPLOYEE COMPENSATION (Cont'd)

The total number of shares, which may be issued upon exercise of all Options to be granted under the Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the total number of shares in issue on the date of commencement of dealings in the shares on the Stock Exchange ("Scheme Mandate Limit"), unless the Company obtains an approval from its shareholders. Options lapsed in accordance with the terms of the Scheme will not be counted for the purpose of calculating such 10% limit.

Notwithstanding any other provisions of the Scheme, the maximum number of the shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of shares in issue from time to time.

Unless approved by the shareholders, the total number of shares issued and to be issued upon exercise of the Options granted to each participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

Offer of an option ("Offer") shall be deemed to have been accepted by any Participant (the "Grantee") who accepts an Offer in accordance with the terms of the Scheme and the option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the Offer duly signed by the Grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the granting thereof is received by the Company within 30 days from the date upon which the Offer is made.

On 28 June 2016, the Company granted share options under the Scheme to certain Participants which will enable the Grantees to subscribe for a total of 285,800,000 ordinary shares of HK\$0.01 each in the share capital of the Company.

18. 以股份支付的僱員薪酬(續)

因行使根據該計劃及本公司任何其他購股權計劃授出的所有購股權可發行的股份總數，合共不得超過於聯交所開始買賣當日已發行股份總數的10%（「計劃授權限額」），惟本公司取得股東的批准則除外。計算該10%限額並不計及根據該計劃條款已失效的購股權。

儘管該計劃另有任何其他規定，於行使該計劃及本公司任何其他購股權計劃的已授出但尚未行使的所有未行使購股權時，最多可發行的股份數目不得超過不時已發行股份總數的30%。

除非獲股東批准，於任何十二個月期間因行使授予每名參與者的購股權（包括已行使及尚未行使的購股權）而已發行及將予發行的股份總數，不得超過已發行股份總數的1%。

任何參與者（「承授人」）凡按照該計劃的條款接納購股權要約（「要約」），即被視為接納要約，而當載有接納要約的要約書副本由承授人妥為簽署，並在本公司作出要約當日起30日內，接獲承授人在接納購股權時須向本公司支付1.00港元作為授出購股權的代價後，與要約有關的購股權即被視為已授出並生效。

於二零一六年六月二十八日，本公司根據該計劃向若干參與者授出購股權，使承授人能夠認購本公司股本中合共285,800,000股每股面值0.01港元的普通股。

Notes to the Condensed Consolidated Financial Statements

簡明綜合財務報表附註

For the six months ended 30 June 2017 截至二零一七年六月三十日止六個月

18. SHARE-BASED EMPLOYEE COMPENSATION (Cont'd)

Details of the Options granted by the Company pursuant to the Scheme and the Options outstanding as at 30 June 2017 and 31 December 2016 were as follows:

18. 以股份支付的僱員薪酬(續)

本公司根據該計劃授出及於二零一七年六月三十日及二零一六年十二月三十一日尚未行使的購股權詳情如下：

	Date of grant (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Number of options 購股權數目				Balance at 30 June 2017	Exercise price per share HK\$
			Balance at 1 January 2017	Granted during the period	Exercised during the period	Lapsed during the period		
	授出日期 (日/月/年)	行使期間 (日/月/年)	於二零一七年 一月一日 的結餘	於期內授出	於期內行使	於期內失效	於二零一七年 六月三十日 的結餘	每股行使價 港元
Executive directors (Note 1) 執行董事(附註1)	28/06/2016	28/06/2016 - 27/06/2026	15,600,000	-	-	-	15,600,000	1.846
Executive directors (Note 2) 執行董事(附註2)	28/06/2016	28/06/2017 - 27/06/2026	15,600,000	-	-	3,000,000	12,600,000	1.846
Executive directors (Note 3) 執行董事(附註3)	28/06/2016	28/06/2018 - 27/06/2026	20,800,000	-	-	4,000,000	16,800,000	1.846
Employees (Note 1) 僱員(附註1)	28/06/2016	28/06/2016 - 27/06/2026	70,140,000	-	-	-	70,140,000	1.846
Employees (Note 2) 僱員(附註2)	28/06/2016	28/06/2017 - 27/06/2026	70,140,000	-	-	-	70,140,000	1.846
Employees (Note 3) 僱員(附註3)	28/06/2016	28/06/2018 - 27/06/2026	93,520,000	-	-	-	93,520,000	1.846
			285,800,000	-	-	7,000,000	278,800,000	

	Date of grant (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Number of options 購股權數目				Balance at 31 December 2016	Exercise price per share HK\$
			Balance at 1 January 2016	Granted during the period	Exercised during the period	Lapsed during the period		
	授出日期 (日/月/年)	行使期間 (日/月/年)	於二零一六年 一月一日 的結餘	於期內授出	於期內行使	於期內失效	於二零一六年 十二月三十一日 的結餘	每股行使價 港元
Executive directors (Note 1) 執行董事(附註1)	28/06/2016	28/06/2016 - 27/06/2026	-	15,600,000	-	-	15,600,000	1.846
Executive directors (Note 2) 執行董事(附註2)	28/06/2016	28/06/2017 - 27/06/2026	-	15,600,000	-	-	15,600,000	1.846
Executive directors (Note 3) 執行董事(附註3)	28/06/2016	28/06/2018 - 27/06/2026	-	20,800,000	-	-	20,800,000	1.846
Employees (Note 1) 僱員(附註1)	28/06/2016	28/06/2016 - 27/06/2026	-	70,140,000	-	-	70,140,000	1.846
Employees (Note 2) 僱員(附註2)	28/06/2016	28/06/2017 - 27/06/2026	-	70,140,000	-	-	70,140,000	1.846
Employees (Note 3) 僱員(附註3)	28/06/2016	28/06/2018 - 27/06/2026	-	93,520,000	-	-	93,520,000	1.846
			-	285,800,000	-	-	285,800,000	

Notes to the Condensed Consolidated Financial Statements

簡明綜合財務報表附註

For the six months ended 30 June 2017 截至二零一七年六月三十日止六個月

18. SHARE-BASED EMPLOYEE COMPENSATION (Cont'd)

Note 1: The option was vested immediately on the date of grant.

Note 2: The option granted are subject to the vesting period from the date of grant up to 27 June 2017.

Note 3: The option granted are subject to the vesting period from the date of grant up to 27 June 2018.

The closing price of the Company's shares immediately before 28 June 2016, the date of grant, was HK\$1.820.

There are no performance condition for the Options to vest.

The fair values of the Options determined at the date of grant using the Binomial model were HK\$276,156,000 (equivalent to approximately RMB236,030,000). During the six months ended 30 June 2017, the Group recognised the total expense of RMB58,176,000 in relation to share options granted by the Company.

The following assumptions were used to calculate the fair values of share options:

Grant date share price	HK\$1.820
Exercise price	HK\$1.846
Expected life	8 to 10 years
Expected volatility	64.787%
Expected dividend yield	0.55%
Risk free interest rate	0.965%

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the best estimate of the directors of the Company. Changes in variables and assumptions may result in changes in the fair value of the Options.

19. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to secure banking facilities granted to the Group.

18. 以股份支付的僱員薪酬(續)

附註1：購股權於授出日期即時歸屬。

附註2：所授出的購股權受自授出日期起至二零一七年六月二十七日止之歸屬期所規限。

附註3：所授出的購股權受自授出日期起至二零一八年六月二十七日止之歸屬期所規限。

本公司股份於緊接二零一六年六月二十八日(授出日期)前的收市價為1.820港元。

購股權並無表現條件需予歸屬。

於授出日期以二項式模型釐定的購股權公允價值為276,156,000港元(相當於約人民幣236,030,000元)。截至二零一七年六月三十日止六個月，本集團就本公司授出之購股權確認總開支人民幣58,176,000元。

以下假設乃用於計算購股權的公允價值：

於授出日期的股價	1.820港元
行使價	1.846港元
預期年期	8至10年
預期波幅	64.787%
預期股息率	0.55%
無風險利率	0.965%

二項式模型已用於估計購股權的公允價值。用於計算購股權公允價值的可變因素及假設乃根據本公司董事最佳估計得出。可變因素及假設的變動可能導致購股權公允價值出現變動。

19. 資產抵押

於報告期末，本集團已抵押以下資產擔保本集團獲授之銀行融資。

		At 30 June 2017 於二零一七年 六月三十日 RMB'000 人民幣千元 (Unaudited) (未經審核)	At 31 December 2016 於二零一六年 十二月三十一日 RMB'000 人民幣千元 (Audited) (經審核)
Properties under development for sale	發展中待售物業	2,558,733	2,329,077
Properties held for sale	待售物業	88,838	-
Investment properties	投資物業	9,045,926	8,979,534
Property, plant and equipment	物業、廠房及設備	211,330	273,241
Pledged bank deposits	抵押銀行存款	555,132	1,123,098
		12,459,959	12,704,950

Notes to the Condensed Consolidated Financial Statements

簡明綜合財務報表附註

For the six months ended 30 June 2017 截至二零一七年六月三十日止六個月

20. CONTINGENT LIABILITIES

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owned by the defaulted purchasers to the banks.

The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends upon the earlier of the buyer obtaining the individual property ownership certificate or the full settlement of mortgage loans by the buyer.

The maximum outstanding amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties, at the end of the reporting period is RMB575,608,000 (31 December 2016: RMB2,479,495,000).

The directors of the Company consider that it is not probable that the Group will sustain a loss under these guarantees as during the periods under guarantees, the Group can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default payments to the banks.

21. RELATED PARTY DISCLOSURES

(a) Transactions with related parties

The Group had the following transactions with a related party:

Development cost paid to Shenzhen Forsafe System Technology Co., Ltd., an entity controlled by ultimate controlling party	支付予深圳市賦安安全系統有限公司(一家由最終控股方控制之實體)的開發成本
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20. 或然負債

本集團為若干銀行就本集團物業買方訂立的按揭貸款而授出的按揭融資提供擔保。根據擔保條款，倘該等買方拖欠按揭付款，則本集團須負責償還尚未償付的按揭貸款連同違約買方欠付銀行的任何應計利息及罰金。

本集團的擔保期由相關按揭貸款授出日期起，直至買家取得個人房產所有權證或悉數清償按揭貸款(以較早者為準)時為止。

於報告期末，就本集團物業買方獲授的按揭融資而向銀行作出擔保的最高尚未償還金額為人民幣575,608,000元(二零一六年十二月三十一日：人民幣2,479,495,000元)。

本公司董事認為本集團於擔保期間不大可能因該等擔保而遭受虧損，而本集團可接管有關物業的所有權並將之出售，以收回本集團向銀行支付的任何金額。由於董事認為該等擔保的公允價值微不足道，故本集團並未就該等擔保確認任何遞延收入。董事亦認為，倘買方拖欠償還銀行貸款，相關物業的公允市值足以彌補本集團所擔保的未償還按揭貸款。

21. 關聯方披露

(a) 與關聯方進行的交易

本集團與關聯方進行的交易如下：

Six months ended 30 June
截至六月三十日止六個月

2017	2016
二零一七年	二零一六年
RMB'000	RMB'000
人民幣千元	人民幣千元
(Unaudited)	(Unaudited)
(未經審核)	(未經審核)

1,818

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Notes to the Condensed Consolidated Financial Statements

簡明綜合財務報表附註

For the six months ended 30 June 2017 截至二零一七年六月三十日止六個月

21. RELATED PARTY DISCLOSURES (Cont'd)

(b) Balance with related parties

Apart from loans from non-controlling interests, which already disclosed in note 13 to the condensed consolidated financial statements, as at 30 June 2017, the balances of amounts due from related parties, in which the ultimate controlling party has controlling beneficial interests, and non-controlling interests amounting to RMB64,674,000 (31 December 2016: RMB369,832,000) in aggregate are included in the deposits paid, prepayments and other receivables, and the balances of amounts due to related parties, in which the ultimate controlling party has controlling beneficial interests, and non-controlling interests amounting to RMB4,605,000 (31 December 2016: RMB4,715,000) in aggregate are included in accruals, deposits received and other payables of the condensed consolidated statement of financial position. The balances with related parties are unsecured, interest free and repayable on demand.

(c) Key management personnel compensation

The remuneration of directors who are the Group's key management personnel during the current interim period amounting to RMB14,239,000 (six months ended 30 June 2016: RMB20,040,000).

(d) Guarantees provided by related parties

Certain secured bank loans with amounts of RMB744,500,000 (31 December 2016: RMB678,000,000) was jointly secured by properties owned by related companies controlled by the ultimate controlling party.

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

21. 關聯方披露(續)

(b) 關聯方之結餘

除了已於簡明綜合財務報表附註13披露之非控股權益貸款外，於二零一七年六月三十日，應收關聯方款項(最終控股方於其中擁有控制性實益權益)及應收非控股權益款項之總結餘人民幣64,674,000元(二零一六年十二月三十一日：人民幣369,832,000元)計入已付按金、預付款項及其他應收款項，而應付關聯方款項(最終控股方於其中擁有控制性實益權益)及應付非控股權益款項之總結餘人民幣4,605,000元(二零一六年十二月三十一日：人民幣4,715,000元)則計入簡明綜合財務狀況表之應計費用、已收按金及其他應付款項。與關聯方之結餘為無抵押、免息及須按要求償還。

(c) 主要管理人員薪酬

作為本集團主要管理人員的董事於本中期期間的薪酬為人民幣14,239,000元(截至二零一六年六月三十日止六個月：人民幣20,040,000元)。

(d) 關聯方提供的擔保

若干金額為人民幣744,500,000元(二零一六年十二月三十一日：人民幣678,000,000元)之有抵押銀行貸款由最終控制方控制之關聯公司擁有之物業作共同抵押。

22. 金融工具的公允價值計量

本附註提供有關本集團如何釐定多項金融資產及金融負債公允價值的資料。

按經常性基準以公允價值計量的本集團金融資產及金融負債的公允價值

本集團部分金融資產及金融負債於各報告期末按公允價值計量。下表提供有關如何釐定該等金融資產及金融負債公允價值的資料(尤其是所採用的估值技術及輸入數據)，以及根據公允價值計量之輸入數據之可觀察程度公允價值計量所歸入之公允價值等級(第一至三級)。

- 第一級公允價值計量為相同資產或負債於活躍市場上報價(未經調整)所得出；

Notes to the Condensed Consolidated Financial Statements

簡明綜合財務報表附註

For the six months ended 30 June 2017 截至二零一七年六月三十日止六個月

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Cont'd)

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

22. 金融工具的公允價值計量(續)

- 第二級公允價值計量為於第一級計入之報價以外可直接(即價格)或間接(即價格產生)觀察資產或負債所得輸入數據所得出; 及
- 第三級公允價值計量為包括並無根據可觀察市場數據(不可觀察輸入數據)釐定之資產或負債輸入數據之估值技術所得出。

Financial assets/ financial liabilities	金融資產/ 金融負債	Fair value as at 於以下日期的公允價值		Fair value hierarchy 公允價值 等級	Valuation technique(s) and key input(s) 估值技術及 主要輸入數據	Significant unobservable input(s) 主要不可觀察 輸入數據
		31 December 2016 二零一六年 十二月三十一日 RMB'000 人民幣千元	30 June 2017 二零一七年 六月三十日 RMB'000 人民幣千元			
Derivative financial instruments	衍生金融工具	120,496	79,123	Level 3 第三級	Binomial option pricing model The fair value is estimated based on the risk free rate, discount rate, share price, volatility of the share price of the Company, dividend yield and exercise price. 二項式期權定價模式 公允價值乃按無風險利率、貼現率、股價、本公司股價波幅、股息率及行使價釐定。	Volatility of the share price determined by reference to the historical share price of the Company (Note). 經參考本公司歷史股價後釐定的股價波幅(附註)。
Available-for-sale investments	可供出售投資	561,048	615,513	Level 1 第一級	Quoted bid price in an active market. 於活躍市場之買入報價。	N/A 不適用

Note: The higher the volatility of the share price of the Company, the higher the fair value of the derivative financial instruments, and vice versa. For the volatility of the share price of the Company used in the fair value measurement for derivative financial instruments, please refer to note 17(b).

There is no transfer between different levels of the fair value hierarchy for the periods ended.

附註：本公司股價波幅愈高，衍生金融工具的公允價值則愈高，反之亦然。有關衍生金融工具公允價值計量所採用的本公司股價波幅，請參閱附註17(b)。

於截至該等期間內，公允價值等級各級之間概無轉移。

Notes to the Condensed Consolidated Financial Statements

簡明綜合財務報表附註

For the six months ended 30 June 2017 截至二零一七年六月三十日止六個月

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Cont'd)

Reconciliation of Level 3 fair value measurements

		Conversion option derivative 兌換期權 衍生工具 RMB'000 人民幣千元
1 January 2016 Issue	二零一六年一月一日 發行	-
Fair value gain recognised in profit or loss	於損益確認的 公允價值收益	135,518 (15,022)
As at 31 December 2016	於二零一六年十二月三十一日	120,496
Fair value gain recognised in profit or loss	於損益確認的 公允價值收益	(41,373)
As at 30 June 2017	於二零一七年六月三十日	79,123

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors of the Company consider that the carrying amounts of financial assets and liabilities recorded as amortised cost in the condensed consolidated financial statements approximate to their fair values.

The fair value of such financial assets and financial liabilities (categories within Level 3 hierarchy) are determined in accordance with general accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The unlisted equity interests in Apex, a company incorporated in BVI amounted to RMB210,000,000 is included in available-for-sale investments. As the reasonable range of fair value estimation is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably, these equity securities are measured at cost less impairment at the end of reporting period.

23. EVENT AFTER THE REPORTING PERIOD

As detailed in the announcements issued by the Company dated 3 August 2017, 9 August 2017 and 17 August 2017, on 8 August 2017, Gemstones International Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company (the "Issuer"), as the Issuer entered into purchase agreement for the issuance of US\$225,000,000 8.5% guaranteed senior notes due 2020 (the "Senior Notes").

The Senior Notes will bear interest at a rate of 8.5% per annum, payable semi-annually in arrears on 15 February and 15 August of each year, commencing on 15 February 2018.

On 16 August 2017, the Senior Notes have been listed and quoted on the Singapore Exchange Securities Trading Limited.

The issuance of the Senior Notes is guaranteed by the Company and certain subsidiaries of the Company.

22. 金融工具的公允價值計量(續)

第三級公允價值計量的對賬

並非按經常性基準以公允價值計量(但須作出公允價值披露)的金融資產及金融負債的公允價值

本公司董事認為，於簡明綜合財務報表內按攤銷成本列賬的金融資產及負債的賬面值與其公允價值相若。

有關金融資產及金融負債的公允價值(第三級等級範圍內的類別)乃根據基於貼現現金流量分析的一般公認定價模式釐定，其中最重要的輸入數據為反映交易對手信貸風險的貼現率。

Apex (一間於英屬維爾京群島註冊成立的公司)的非上市股權達人民幣210,000,000元，並計入可供出售投資。由於公允價值估計合理區間尤為重大，因而本公司董事認為其公允價值無法可靠計量，故證券價值按成本減各報告期末的減值計量。

23. 報告期後事項

誠如本公司日期為二零一七年八月三日、二零一七年八月九日及二零一七年八月十七日的公告所詳述，於二零一七年八月八日，碧玺国际有限公司(一間於英屬維爾京群島註冊成立之有限責任公司，並為本公司之全資附屬公司)(「發行人」)作為發行人訂立購買協議，發行於二零二零年到期之225,000,000美元8.5厘擔保優先票據(「優先票據」)。

優先票據由二零一八年二月十五日起將按年利率8.5厘計息，於每年的二月十五日及八月十五日每半年支付。

於二零一七年八月十六日，優先票據已於新加坡證券交易所上市及掛牌。

優先票據發行由本公司及本公司若干附屬公司擔保。

Independent Auditor's Report

獨立核數師報告



TO THE SHAREHOLDERS OF
LVGEM (CHINA) REAL ESTATE INVESTMENT COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of LVGEM (China) Real Estate Investment Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 65 to 157, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

致
綠景(中國)地產投資有限公司股東
(於開曼群島註冊成立之有限公司)

意見

本核數師(以下簡稱「我們」)已審計列載於第65至157頁綠景(中國)地產投資有限公司(以下簡稱「貴公司」)及其附屬公司(以下簡稱「貴集團」)的綜合財務報表。此綜合財務報表包括於二零一六年十二月三十一日的綜合財務狀況報表與截至該日止年度的綜合損益表、綜合損益及其他全面收益表、綜合權益變動表和綜合現金流量表，以及主要會計政策概要及其他解釋資料。

我們認為，該等綜合財務報表已根據香港會計師公會(「香港會計師公會」)所頒佈之《香港財務報告準則》(「香港財務報告準則」)真實而公平地反映了貴集團於二零一六年十二月三十一日之綜合財務狀況以及其截至該日止年度之綜合財務表現及其綜合現金流量，並已遵守香港《公司條例》之披露規定而妥善編製。

意見的基礎

我們根據香港會計師公會頒佈的《香港審計準則》(「香港審計準則」)進行審核。我們在該等準則下的責任在我們的報告內核數師就審核綜合財務報表須承擔的責任一節內進一步闡述。根據香港會計師公會的職業會計師道德守則(「守則」)，我們獨立於貴集團，並已遵循守則履行其他道德責任。我們相信，我們所獲得的審核憑證能充足及適當地為我們的審核意見提供基礎。

關鍵審核事項

根據我們的專業判斷，關鍵審核事項為我們審核於本期間的綜合財務報表中最重要的事項。我們在審核整體綜合財務報表及就此達致我們的意見時處理此等事項，而我們不會就此等事項單獨發表意見。

Independent Auditor's Report

獨立核數師報告

KEY AUDIT MATTERS (Cont'd)

Key audit matter

Valuation of investment properties

We identified the valuation of investment properties as a key audit matter as they represented 47% of the Group's total assets, combined with the judgements associated with determining the fair value.

As disclosed in note 13 to the consolidated financial statements, the fair value of completed investment properties and investment properties under development amounted to approximately RMB11,274,253,000 and RMB952,764,000 respectively as at 31 December 2016 and an increase in fair value recognised in profit or loss amounted to approximately RMB247,498,000 in aggregate for the year then ended. The completed investment properties were located in Shenzhen and Suzhou, while the investment properties under development were located in Shenzhen.

As set out in note 4 to the consolidated financial statements, the Group's investment properties were stated at fair value based on the valuation performed by independent professional valuers ("Valuers"). As disclosed in note 13 to the consolidated financial statements, the fair value of completed investment properties and investment properties under development have been arrived at using income capitalisation approach and market-based approach, respectively, which were dependent on certain key inputs and assumptions in respect of prevailing market conditions such as capitalisation rate and daily market rent for income capitalisation approach, gross development value and developer's profit for market-based approach.

How our audit addressed the key audit matter

Our procedures in relation to the valuation of investment properties included:

- Evaluating the competence, capabilities and objectivity of the Valuers;
- Obtaining an understanding of the valuation processes and significant assumptions to assess if these approaches meet the requirements of HKFRSs and industry norms;
- Evaluating the appropriateness of the valuation methods applied by the Valuers, in particular the valuation techniques and the capitalisation rate, based on our knowledge of the property markets in the People's Republic of China (the "PRC"); and
- Assessing the reasonableness of other valuation inputs and source data, including daily market rent for income capitalisation approach, gross development value and developer's profit for market-based approach, by comparing these estimates, on a sample basis, to entity-specific information such as rental income, tenancy summary, capital expenditures details and size of the investment properties, as well as market data based on our knowledge of the property markets in PRC.

關鍵審核事項(續)

關鍵審核事項

投資物業之估值

我們將投資物業之估值以及與釐定公允價值有關之判斷確定為一項關鍵審核事項，此乃由於投資物業之公允價值佔 貴集團總資產之47%。

誠如綜合財務報表附註13所披露，已完成投資物業及發展中投資物業於二零一六年十二月三十一日的公允價值分別約為人民幣11,274,253,000元及人民幣952,764,000元，而於損益確認之公允價值增幅合共約人民幣247,498,000元乃於截至該日止年度之溢利中入賬。已完成投資物業位於深圳及蘇州，而發展中投資物業則位於深圳。

誠如綜合財務報表附註4所載，貴集團之投資物業乃基於獨立專業估值師行(「估值師」)進行的估值按公允價值列賬。誠如綜合財務報表附註13所披露，已完成投資物業及發展中投資物業的公允價值分別採用收入資本計算法及市場法釐定，有關方法乃依賴有關當前市況之若干關鍵輸入數據及假設，包括收入資本計算法的資本化比率及市場日租，以及市場法的總開發價值及開發商利潤。

我們的審計如何處理關鍵審計事項

我們就投資物業估值之程序包括：

- 評估估值師之資歷、能力及客觀性；
- 了解估值過程及重大假設，以評估該等方法是否符合《香港財務報告準則》規定及行業慣例；
- 根據我們對中華人民共和國(「中國」)物業市場之認識，評估估值師所應用的估值方法(尤其是估值技術及資本化比率)是否恰當；及
- 根據我們對中國物業市場之認識，透過按抽樣基準將該等估計與實體之特定資料(例如租金收入、租賃概要、資本開支詳情及投資物業之規模)進行比較，評估其他估值輸入數據及來源數據是否合理，包括收入資本計算法的市場日租，及市場法的總開發價值及開發商利潤以及市場數據。

Independent Auditor's Report

獨立核數師報告

KEY AUDIT MATTERS (Cont'd)

Key audit matter

Assessment of net realisable value of properties held for sale and properties under development for sale

We identified the assessment of net realisable value of properties held for sale and properties under development for sale as a key audit matter due to the significant judgement involved in the determination of net realisable value (the "NRV") of these properties.

The Group had properties under development for sale of approximately RMB3,977,425,000 and properties held for sale of approximately RMB1,556,050,000 (collectively referred to as "Properties for Sale") as at 31 December 2016, which are situated in the PRC and Hong Kong.

As disclosed in note 4 to the consolidated financial statements, the directors of the Company determined the NRV of the properties held for sale by using prevailing market data such as most recent sale transactions and market survey reports available from independent qualified professional valuers, and internal estimates of costs based on quotes by suppliers, and the NRV of the properties under development for sale was determined by using estimates of future cash flows to be derived from these properties. These estimates require judgement as to the anticipated sale prices by reference to recent sale transactions in nearby locations, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions.

An impairment loss of properties held for sale amounting to RMB20,506,000 was recognised in the consolidated statement of profit or loss for the year ended 31 December 2016.

How our audit addressed the key audit matter

Our procedures in relation to assessment of the NRV of the Properties for Sale included:

- Performing sensitivity analysis to identify the impact that changes in key inputs such as the estimated future selling prices have on the NRV of the Properties for Sale;
- Assessing the appropriateness of the estimated future selling prices of the Properties for Sale, on a sample basis, by comparing them to transaction prices of similar properties in the nearby or relevant locations, or actual selling price of properties sold subsequent to the end of the reporting period in the same project or relevant locations, based on our knowledge of the property markets in the PRC and Hong Kong; and
- Challenging the Group's forecast of construction cost, on a sample basis, by comparing to the construction costs for similar units and against signed contracts or quotes with subcontractors.

關鍵審核事項(續)

關鍵審核事項

待售物業及發展中待售物業之可變現淨值評估

我們將待售物業及發展中待售物業之可變現淨值評估確定為一項關鍵審核事項，此乃由於釐定該等物業之可變現淨值(「可變現淨值」)涉及重大判斷。

於二零一六年十二月三十一日，貴集團之發展中待售物業及待售物業(統稱「該等待售物業」)分別約為人民幣3,977,425,000元及約人民幣1,556,050,000元，而有關物業位於中國及香港。

誠如綜合財務報表附註4所披露，本公司董事採用當前市場數據，包括最近期銷售交易、獨立合資格專業估值師提供的市場調查報告及由內部以供應商所報成本編製之估算，釐定待售物業之可變現淨值，而發展中待售物業之可變現淨值乃採用自該等物業衍生之未來現金流估計而釐定。該等估計須參考附近地點的近期銷售交易、推廣費用(包括促銷所需的價格折扣)及有關預計完成物業的費用、法律和監管架構及一般市況，從而對預期的銷售價格作出判斷。

截至二零一六年十二月三十一日止年度，已於綜合損益表確認之待售物業減值虧損為人民幣20,506,000元。

我們的審計如何處理關鍵審計事項

我們就該等待售物業可變現淨額之評估之程序包括：

- 進行敏感度分析，以識別主要輸入數據變動的影響，如估計未來售價對該等待售物業可變現淨額之影響；
- 根據我們對中國及香港物業市場的認識，透過將該等待售物業與鄰近或相關地區之類似物業的售價進行比較，或與於報告期末後出售之物業的實際價格進行比較，抽樣評估該等待售物業之預計未來售價是否恰當；及
- 透過將同類單位的建設成本與已簽署的合約或分包商的報價進行比較，按抽樣基準質疑貴集團對建設成本的預測。

Independent Auditor's Report

獨立核數師報告

KEY AUDIT MATTERS (Cont'd)

Key audit matter

Revenue recognised from sales of properties

We identified revenue recognised from sales of properties as a key audit matter as the revenue from sales of properties is significant to the consolidated statement of profit or loss and there is judgement involved in determining the appropriate point at which to recognise revenue from sales of properties.

As disclosed in "Revenue recognition" paragraph under note 3 to the consolidated financial statements, revenue from sales of properties is recognised when the respective properties have been completed and delivered to the buyers and other criteria set out in that note have been met. The Group recognised revenue of RMB3,956,426,000 from its property development and sales segment for the year ended 31 December 2016, which is disclosed in note 5 to the consolidated financial statements.

How our audit addressed the key audit matter

Our procedures in relation to revenue recognised from sales of properties included:

- Assessing the management's control over the point of time at which revenue from sales of properties is recognised by obtaining an understanding of the management's control process and testing the control on a sample basis; and
- Reviewing the terms stated in the sales and purchase agreements, on a sample basis, and obtaining evidence regarding the completion and the delivery of properties, on a sample basis, including completion certificates and delivery notices, to assess whether the criteria for revenue recognition set out in "Revenue recognition" paragraph under note 3 to the consolidated financial statements have been met.

Provision for land appreciation tax

We identified the provision for land appreciation tax ("LAT") as a key audit matter since the implementation and settlement of this tax varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised certain LAT calculation and payments with local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount on the appreciation of land value and its related LAT.

LAT is prepaid when properties are pre-sold to the buyers and is provided when properties are delivered to the buyers and revenue is recognised. As disclosed in note 9 to the consolidated financial statements, LAT amounting to RMB691,995,000 was recognised in the consolidated statement of profit or loss for the year ended 31 December 2016. As disclosed in note 4 to the consolidated financial statements, the Group recognised LAT based on the management's best estimates according to the understanding of the tax rules, which are determined by the appreciation of land value. The amount of the land appreciation is determined with reference to estimated proceeds of the sales of properties less the estimated deductible expenditures, including the cost of land use rights and all property development expenditures.

關鍵審核事項(續)

關鍵審核事項

物業銷售確認之收入

由於物業銷售收入就綜合損益表而言屬重大，而就確認物業銷售收入釐定合適時間涉及判斷，故我們將物業銷售確認之收入確定為一項關鍵審核事項。

誠如綜合財務報表附註3「收入確認」一段所披露，物業銷售之收入於相關物業已完成及交付予買家及符合該附註所載列之其他條件時確認。截至二零一六年十二月三十一日止年度，貴集團的物業開發及銷售分類確認收入人民幣3,956,426,000元，有關詳情披露於綜合財務報表附註5。

我們的審計如何處理關鍵審計事項

我們就物業銷售確認收入之程序包括：

- 透過了解管理層之控制過程及按抽樣基準測試控制，評估管理層於確認物業銷售收入時之控制；及
- 抽樣審閱買賣協議所載列之條款，及取得有關物業竣工及交付之證明(包括竣工證明及交付通知)，以評估是否符合綜合財務報表附註3「收入確認」一段所載列有關收入確認之標準。

土地增值稅之計提

我們將土地增值稅(「土地增值稅」)之計提確定為一項關鍵審核事項，此乃由於中國城市不同稅收管轄區對土地增值稅的執行及結算不盡相同，而貴集團尚未與中國地方稅務局落實若干土地增值稅的計算及付款方法。因此，須作出重大判斷以釐定土地增值額及其相關土地增值稅。

土地增值稅於物業預售予買家時已預付，而土地增值稅則於物業交付予買家及收益獲確認時已作撥備。誠如綜合財務報表附註9所披露，截至二零一六年十二月三十一日止年度，土地增值稅人民幣691,995,000元已於綜合損益表內確認。誠如綜合財務報表附註4所披露，貴集團根據管理層按照其對稅務規則之理解作出之最佳估計，即按土地增值額預計確認土地增值稅。土地增值金額參考物業銷售減預計可扣稅開支之所得款項而釐定，有關可扣稅開支包括土地使用權成本以及所有物業開發開支。

Independent Auditor's Report

獨立核數師報告

KEY AUDIT MATTERS (Cont'd)

How our audit addressed the key audit matter

Our procedures in relation to the provision for LAT included:

- Involving our tax specialists in the PRC to assess the accuracy of the land appreciation amount calculations based on their knowledge of the relevant tax rules and regulations, in particular to the LAT rate announced by the State Administration of Taxation in the PRC; and
- Evaluating the estimated proceeds of the sales of properties and estimated deductible expenditures, adopted by the management by comparing their estimates made in previous years to actual results as well as current year's estimates.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in this set of documents, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

關鍵審核事項(續)

我們的審計如何處理關鍵審計事項

我們就土地增值稅之計提之程序包括：

- 中國稅務專家基於他們對相關稅務規則及法規(尤其是中國國家稅務總局公佈之土地增值稅率)之理解評估計算土地增值額之準確度；及
- 透過比較管理層於過往年度對實際業績作出之估計及本年度的估計，評估彼等採用之估計銷售物業所得款項及估計可扣稅開支。

其他資料

貴公司董事須對其他資料承擔責任。其他資料包括載於本文件中的資料，惟不包括綜合財務報表及我們就此作出的核數師報告。

我們對綜合財務報表作出的意見並無涵蓋其他資料，而我們不會對其他資料發表任何形式的核證結論。

就我們審核綜合財務報表而言，我們的責任為閱讀其他資料，從而考慮其他資料是否與綜合財務報表或我們在審核過程中獲悉的資料存在重大不符，或似乎存在重大錯誤陳述。倘若我們基於已進行的工作認為其他資料出現一項重大錯誤陳述，我們須報告有關事實。我們毋須就此作出報告。

董事及管治層就綜合財務報表須承擔的責任

貴公司董事須負責根據香港會計師公會頒佈的《香港財務報告準則》及香港《公司條例》的披露要求編製綜合財務報表，以令綜合財務報表作出真實而公平的反映，及落實其認為編製綜合財務報表所必要的內部控制，以使綜合財務報表不存在由於欺詐或錯誤而導致的重大錯誤陳述。

Independent Auditor's Report

獨立核數師報告

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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

在編製綜合財務報表時，董事須負責評估 貴集團持續經營的能力，並披露與持續經營有關的事項(如適用)。除非董事擬將 貴集團清盤或停止營運，或除此之外並無其他實際可行的辦法，否則須採用以持續經營為基礎的會計法。

該等管治層負責監督 貴集團的財務報告流程。

核數師就審核綜合財務報表須承擔的責任

我們的目標為合理確定此等綜合財務報表整體而言不會存在由於欺詐或錯誤而導致的重大錯誤陳述，並按照委任之協定條款向全體股東發出載有我們意見的核數師報告。除此之外，本報告別無其他目的。我們不會就本報告內容向任何其他人士負上或承擔任何責任。合理確定屬高層次的核證，惟根據《香港審計準則》進行的審核工作不能保證總能察覺所存在的重大錯誤陳述。錯誤陳述可因欺詐或錯誤產生，倘個別或整體在合理預期情況下可影響使用者根據該等綜合財務報表作出的經濟決定時，則被視為重大錯誤陳述。

在根據《香港審計準則》進行審計的過程中，我們運用專業判斷，保持專業懷疑態度。我們亦：

- 識別及評估由於欺詐或錯誤而導致綜合財務報表存在重大錯誤陳述的風險，設計及執行審計程序以應對該等風險，以及獲取充足和適當的審計憑證，作為我們意見的基礎。由於欺詐可能涉及串謀、偽造、蓄意遺漏、虛假陳述或凌駕內部監控的情況，因此未能發現因欺詐而導致的重大錯誤陳述的風險高於未能發現因錯誤而導致的重大錯誤陳述的風險。
- 了解與審計相關的內部監控，以設計適當的審計程序，惟並非旨在對 貴集團內部監控的有效性發表意見。
- 評估董事所採用會計政策的恰當性及作出會計估計和相關披露的合理性。
- 對董事採用持續經營會計法的恰當性作出結論，並根據所獲取的審計憑證，確定是否存在與事項或情況有關的重大不確定性，從而可能導致對 貴集團的持續經營能力產生重大疑慮。倘我們認為存在重大不確定性，則有必要在核數師報告中提請使用者注意綜合財務報表中的相關披露。或倘有關披露不足，則修訂我們意見。我們結論乃基於截至核數師報告日期止所取得的審計憑證。然而，未來事項或情況可能導致 貴集團無法持續經營。

Independent Auditor's Report

獨立核數師報告

- 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.
- 評估綜合財務報表的整體呈報方式、結構及內容，包括披露資料，以及綜合財務報表是否中肯反映相關交易和事項。
- 就貴集團內實體或業務活動的財務資料獲取充足及適當的審計憑證，以便對綜合財務報表發表意見。

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.

我們與管治層就(其中包括)審計的計劃範圍、時間安排及重大審計發現進行溝通，該等發現包括我們在審計過程中識別的內部監控的任何重大缺失。

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.

我們亦向管治層作出聲明，指出我們已符合有關獨立性的相關道德要求，並與彼等溝通可能被合理認為會影響我們獨立性的所有關係及其他事宜以及相關防範措施(如適用)。

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.

從與管治層溝通的事項中，我們釐定對本期綜合財務報表的審計至關重要的事項，因而構成關鍵審計事項。我們在核數師報告中描述該等事項，除非法律或法規不允許公開披露該等事項，或在極端罕見的情況下，倘合理預期在我們報告中溝通某事項造成的負面後果超出產生的公眾利益，則我們決定不應在報告中傳達該事項。

The engagement partner on the audit resulting in the independent auditor's report is Yuen Wing Hang.

出具獨立核數師報告的審計項目的項目合夥人為袁永恒。

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
16 March 2017

德勤•關黃陳方會計師行
執業會計師

香港
二零一七年三月十六日

Consolidated Statement of Profit or Loss

綜合損益表

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

		NOTES 附註	2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Revenue	收益	5	4,590,162	1,210,270
Cost of sales	銷售成本		(2,294,209)	(574,887)
Gross profit	毛利		2,295,953	635,383
Other income, other gains and losses	其他收入、其他收益及虧損	6	108,448	87,336
Selling expenses	銷售開支		(58,293)	(56,501)
Administrative expenses	行政開支		(348,696)	(239,059)
Fair value changes on investment properties	投資物業的公允價值變動	13	247,498	426,816
Fair value changes on derivative financial instruments	衍生金融工具的公允價值變動	36	15,022	–
Finance costs	融資成本	7	(406,500)	(262,868)
Share of results of joint ventures	應佔合營公司業績		(9)	(30)
Profit before tax	除稅前盈利	8	1,853,423	591,077
Income tax expense	所得稅開支	9	(1,044,757)	(166,492)
Profit for the year	年度盈利		808,666	424,585
Profit for the year attributable to:	以下人士應佔年度盈利：			
Owners of the Company	本公司股東		802,297	417,780
Non-controlling interests	非控股權益		6,369	6,805
			808,666	424,585
			RMB cents	RMB cents
			人民幣分	人民幣分
Earnings per share attributable to the owners of the Company during the year	年度本公司股東應佔每股盈利	12		
– Basic	– 基本		17.09	10.55
– Diluted	– 攤薄		9.81	5.66

Consolidated Statement of Profit or Loss and Other Comprehensive Income

綜合損益及其他全面收益表

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Profit for the year	年度盈利	808,666	424,585
Other comprehensive income (expense)	其他全面收益(開支)		
Items that may be subsequently reclassified to profit or loss:	隨後或會重新分類至損益之項目：		
Exchange differences arising on translation	匯兌產生的換算差額	2,979	(19,500)
Fair value changes on available-for-sale investments, net of tax	可供出售投資之公允價值變動(扣除稅項)	163,336	-
Other comprehensive income (expense) for the year	年度其他全面收益(開支)	166,315	(19,500)
Total comprehensive income for the year	年度全面收益總額	974,981	405,085
Total comprehensive income attributable to:	以下人士應佔全面收益總額：		
Owners of the Company	本公司股東	967,927	401,935
Non-controlling interests	非控股權益	7,054	3,150
		974,981	405,085

Consolidated Statement of Financial Position

綜合財務狀況報表

At 31 December 2016
於二零一六年十二月三十一日

		NOTES	2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
		附註		
Non-current assets	非流動資產			
Investment properties	投資物業	13	12,227,017	11,973,452
Property, plant and equipment	物業、廠房及設備	14	294,188	333,422
Goodwill	商譽	15	231,602	231,602
Interests in joint ventures	於合營公司的權益	16	528,384	525,393
Available-for-sale investments	可供出售投資	17	561,048	343,267
Deferred tax assets	遞延稅項資產	18	190,151	199,785
Deposits paid for acquisition of equity interests	收購股權之已付按金	19	210,000	-
Deposits paid for acquisition of property, plant and equipment	收購物業、廠房及設備之已付按金	19	156,776	-
			14,399,166	13,606,921
Current assets	流動資產			
Properties under development for sale	發展中待售物業	20	3,977,425	2,109,719
Properties held for sale	待售物業	21	1,556,050	3,293,741
Other inventories	其他存貨	22	1,006	914
Accounts receivable	應收賬款	23	16,536	102,210
Deposits paid, prepayments and other receivables	已付按金、預付款項及其他應收款項	24	1,234,783	1,941,469
Tax recoverable	可收回稅款		8,316	88,950
Other current assets	其他流動資產	25	200,000	80,000
Restricted bank deposits	受限制銀行存款	26	1,738,990	1,253,444
Bank balances and cash	銀行結餘及現金	27	2,792,246	1,514,559
			11,525,352	10,385,006
Current liabilities	流動負債			
Accounts payable	應付賬款	28	921,438	1,102,296
Accruals, deposits received and other payables	應計費用、已收按金及其他應付款項	29	546,538	3,944,349
Tax liabilities	稅項負債		768,146	470,507
Borrowings	借貸	30	3,580,323	1,676,275
			5,816,445	7,193,427
Net current assets	流動資產淨值		5,708,907	3,191,579
Total assets less current liabilities	總資產減流動負債		20,108,073	16,798,500
Non-current liabilities	非流動負債			
Convertible bonds	可換股債券	36(a)	559,186	-
Derivative financial instruments	衍生金融工具	36(b)	120,496	-
Borrowings	借貸	30	7,836,944	6,557,606
Deferred tax liabilities	遞延稅項負債	18	2,393,783	2,267,724
			10,910,409	8,825,330
Net assets	資產淨值		9,197,664	7,973,170

Consolidated Statement of Financial Position

綜合財務狀況報表

At 31 December 2016
於二零一六年十二月三十一日

		NOTES 附註	2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Capital and reserves	股本及儲備			
Share capital	股本	31	39,115	39,115
Reserves	儲備	32	8,925,397	7,841,962
Equity attributable to owners of the Company	本公司股東應佔權益		8,964,512	7,881,077
Non-controlling interests	非控股權益		233,152	92,093
Total equity	權益總額		9,197,664	7,973,170

The consolidated financial statements on pages 65 to 157 were approved and authorised for issue by the board of directors on 16 March 2017 and are signed on its behalf by:

第65至157頁之綜合財務報表已獲董事會於二零一七年三月十六日批准及授權刊發，並由以下董事代表簽署：

HUANG Jingshu
黃敬舒
DIRECTOR
董事

DENG Chengying
鄧承英
DIRECTOR
董事

Consolidated Statement of Changes in Equity

綜合權益變動表

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

		Attributable to owners of the Company 本公司股東應佔權益											
		Share capital	Share premium	Convertible preference shares	Other reserve	Exchange reserve	Investment revaluation reserve	Share option reserve	Statutory reserve	Retained profits	Total	Non-controlling interests	Total equity
		股本	股份溢價	可換股優先股	其他儲備	匯兌儲備	重估儲備	購股權儲備	法定儲備	保留盈利	總計	非控股權益	權益總額
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Balance as at 1 January 2015	於二零一五年一月一日的結餘	32,336	4,822,585	5,959,114	(9,768,021)	15,924	-	-	58,479	6,889,001	8,009,418	68,230	8,077,648
Profit for the year	年度盈利	-	-	-	-	-	-	-	-	417,780	417,780	6,805	424,585
Exchange differences arising on translation	匯兌產生的換算差額	-	-	-	-	(15,845)	-	-	-	-	(15,845)	(3,655)	(19,500)
Total comprehensive (expense) income for the year	年度全面(開支)收益總額	-	-	-	-	(15,845)	-	-	-	417,780	401,935	3,150	405,085
Deemed distribution on acquisition of a joint venture from Mr. Wong Hong King	視作自黃康境先生收購一間合營公司的分派	-	-	-	(9,200)	-	-	-	-	-	(9,200)	-	(9,200)
Non-controlling interest arising on acquisition of subsidiaries (note 34(b))	收購附屬公司產生的非控股權益(附註34(b))	-	-	-	-	-	-	-	-	-	-	48,400	48,400
Effect of the Disposals (defined in note 32)	出售事項之影響(定義見附註32)	-	-	-	(142,982)	63,638	-	-	-	-	(79,344)	(11,327)	(90,671)
Effect of the Transaction (defined in note 32)	該交易之影響(定義見附註32)	-	-	-	(1,342,373)	-	-	-	-	-	(1,342,373)	-	(1,342,373)
Arising from issue of placing shares (note 31)	發行配售股份而產生(附註31)	6,779	1,476,557	-	-	-	-	-	-	-	1,483,336	-	1,483,336
Transfer of statutory reserve	轉撥法定儲備	-	-	-	-	-	-	-	7,894	(7,894)	-	-	-
Dividend declared and made (note 11)	已宣派及派付的股息(附註11)	-	-	-	-	-	-	-	-	(582,695)	(582,695)	(16,360)	(599,055)
Balance as at 31 December 2015	於二零一五年十二月三十一日的結餘	39,115	6,299,142	5,959,114	(11,262,576)	63,717	-	-	66,373	6,716,192	7,881,077	92,093	7,973,170
Profit for the year	年度盈利	-	-	-	-	-	-	-	-	802,297	802,297	6,369	808,666
Fair value changes on available-for-sale investments, net of tax	可供出售投資之公允價值變動(扣除稅項)	-	-	-	-	-	163,336	-	-	-	163,336	-	163,336
Exchange differences arising on translation	匯兌產生的換算差額	-	-	-	-	2,294	-	-	-	-	2,294	685	2,979
Total comprehensive income for the year	年度全面收益總額	-	-	-	-	2,294	163,336	-	-	802,297	967,927	7,054	974,981
Acquisition of non-controlling interests (note below)	收購非控股權益(附註見下文)	-	-	-	27,220	-	-	-	-	-	27,220	(27,220)	-
Capital contribution by a non-controlling shareholder of a subsidiary	一間附屬公司非控股股東之出資	-	-	-	-	-	-	-	-	-	-	161,225	161,225
Recognition of equity-settled share-based payments (note 37)	確認以股權結算以股份支付的款項(附註37)	-	-	-	-	-	128,404	-	-	-	128,404	-	128,404
Transfer of statutory reserve	轉撥法定儲備	-	-	-	-	-	-	-	81,054	(81,054)	-	-	-
Dividend declared and made (note 11)	已宣派及派付的股息(附註11)	-	-	-	-	-	-	-	-	(40,116)	(40,116)	-	(40,116)
Balance as at 31 December 2016	於二零一六年十二月三十一日的結餘	39,115	6,299,142	5,959,114	(11,235,356)	66,011	163,336	128,404	147,427	7,397,319	8,964,512	233,152	9,197,664

Note: During the year ended 31 December 2016, the Group and the non-controlling shareholder of Shenzhen Yijia Industrial Development Company Limited ("Yijia"), a non-wholly-owned subsidiary of the Group, have made additional capital contribution to Yijia. Subsequent to the contribution, the equity interests of Yijia held by the Group increased from 75% to 89%. The difference between the amounts paid for acquisition of an additional interest in a subsidiary and the carrying amount of non-controlling interests being acquired is included in other reserve.

附註: 截至二零一六年十二月三十一日止年度,本集團及深圳溢佳實業發展有限公司(「溢佳」,為本集團非全資附屬公司)之非控股股東已向溢佳作出額外注資。注資後,本集團持有之溢佳股權由75%增至89%。就收購附屬公司額外權益而已付之金額與被收購非控股權益賬面值間之差額已計入其他儲備。

Consolidated Statement of Cash Flows

綜合現金流量表

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Operating activities	經營活動		
Profit before tax	除稅前盈利	1,853,423	591,077
Adjustments for:	調整項目：		
Depreciation and amortisation	折舊及攤銷	39,934	52,687
(Gain) loss on disposal of property, plant and equipment	出售物業、廠房及設備的(收益)虧損	(1,554)	86
Gain on disposal of investment properties	出售投資物業的收益	(4,968)	(46,230)
Fair value changes on investment properties	投資物業的公允價值變動	(247,498)	(426,816)
Fair value changes on derivative financial instruments	衍生金融工具的公允價值變動	(15,022)	-
Share of results of joint ventures	應佔合營公司業績	9	30
(Reversal of) impairment loss recognised on accounts receivable	(撥回)已確認應收款項減值虧損	(39)	59
Equity-settled share-based payments	以股權結算以股份支付的款項	128,404	-
Recovery of other receivables written-off	撥回其他應收款項撇銷	(49,561)	(8,363)
Write-down on other receivables	撇減其他應收款項	-	19,627
Impairment loss on properties held for sale	待售物業的減值虧損	20,506	-
Interest income	利息收入	(30,663)	(23,243)
Gain on disposal of a subsidiary	出售一間附屬公司的收益	(18,340)	-
Investment income	投資收入	(1,434)	(12,511)
Dividend income	股息收入	-	(5,040)
Finance costs	融資成本	406,500	262,868
Operating cash flows before movements in working capital	營運資金變動前的經營現金流量	2,079,697	404,231
Decrease (increase) in properties under development for sale and properties held for sale	發展中待售物業及待售物業減少(增加)	696,785	(508,339)
(Increase) decrease in other inventories	其他存貨(增加)減少	(92)	1,097
Decrease (increase) in accounts receivable, deposits paid, prepayments and other receivables	應收賬款、已付按金、預付款項及其他應收款項減少(增加)	644,848	(722,840)
(Decrease) increase in accounts payable, accruals, deposits received and other payables	應付賬款、應計費用、已收按金及其他應付款項(減少)增加	(3,578,744)	2,680,067
Cash (used in) from operations	經營活動(所用)所得的現金	(157,506)	1,854,216
Income taxes paid	已付所得稅	(585,236)	(381,780)
Net cash (used in) from operating activities	經營活動(所用)所得現金淨額	(742,742)	1,472,436
Investing activities	投資活動		
Acquisition of subsidiaries (note 34)	收購附屬公司(附註34)	(606,837)	(145,187)
Purchase of other current assets	購置其他流動資產	(521,000)	(9,000)
Deposits paid for acquisition of equity interests	收購股權之已付按金	(210,000)	-
Deposits paid for acquisition of property, plant and equipment	收購物業、廠房及設備之已付按金	(153,482)	-
Additional costs of investment properties	投資物業之額外成本	(26,270)	(78,503)
Purchase of property, plant and equipment	購置物業、廠房及設備	(20,370)	(11,844)
Proceeds from disposal of other current assets	出售其他流動資產所得款項	402,434	273,221
Proceeds from disposal of investment properties	出售投資物業所得款項	25,171	190,403
Proceeds from disposal of property, plant and equipment	出售物業、廠房及設備所得款項	21,192	86
Placement of restricted bank deposits	存放受限制銀行存款	(6,044,884)	(757,331)
Advances to related companies	向關聯公司支付墊款	(623,923)	(1,099,619)
Placement of short-term time deposits with maturity beyond three months but within one year	存放於三個月以上但一年內到期的短期存款	(200,000)	-
Advance to a joint venture	向一間合營公司支付墊款	(3,000)	(3,346)
Withdrawal of restricted bank deposits	提取受限制銀行存款	5,559,339	264,433
Repayment from related companies	償還關連公司款項	821,040	364,125
Interest received	已收利息	30,663	23,243
Net cash inflow (outflow) on disposal of subsidiaries (note 35)	出售附屬公司現金流入(流出)淨額(附註35)	54,759	(16,139)
Dividend income received	已收股息收入	-	5,040

Consolidated Statement of Cash Flows

綜合現金流量表

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Net cash used in investing activities	投資活動所用現金淨額	(1,495,168)	(1,000,418)
Financing activities	融資活動		
Repayments of borrowings	償還借貸	(2,427,484)	(4,407,414)
Interest paid	已付利息	(650,021)	(593,928)
Dividend paid	已付股息	(40,116)	(16,360)
Transaction costs on issue of convertible bonds	發行可換股債券之交易成本	(8,084)	-
Proceeds from new borrowings	新造借貸所得款項	2,985,171	4,503,417
Proceeds from issue of a domestic corporate bond	發行境內公司債券所得款項	2,600,000	-
Proceeds from issue of convertible bonds	發行可換股債券所得款項	694,132	-
Capital contribution by a non-controlling shareholder of a subsidiary	非控股股東於一間附屬公司之出資	161,225	-
Net cash outflow arising from the Transaction (defined in note 32 (iii))	該交易產生的現金流出淨額 (定義見附註32(iii))	-	(1,342,373)
Proceeds from issue of share capital	發行股本所得款項	-	1,483,336
Net cash from (used in) financing activities	融資活動所得(所用)的現金淨額	3,314,823	(373,322)
Net increase in cash and cash equivalents	現金及現金等價物增加淨額	1,076,913	98,696
Effect of foreign exchange rate changes	外匯匯率變動的影響	774	1,235
Cash and cash equivalents at beginning of the year	年初現金及現金等價物	1,514,559	1,414,628
Cash and cash equivalents at end of the year	年末現金及現金等價物	2,592,246	1,514,559
Represented by:	指:		
Bank balances and cash	銀行結餘及現金	2,792,246	1,514,559
Less: Fixed deposits with original maturity date more than three months	減: 原到期日為多於三個月的定期存款	(200,000)	-
		2,592,246	1,514,559

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

1. GENERAL

The Company is a company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the Company's registered office and principal place of business are PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and Suites 1701-1703, 17/F., Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong respectively. Its immediate holding company is China LVGEM Property Holdings Limited ("China LVGEM"), a company incorporated in the Cayman Islands with limited liability and its ultimate holding company is Go Great International Limited, a company incorporated in the British Virgin Islands with limited liability. Its ultimate controlling party is Mr. WONG Hong King ("Mr. Wong"), father of Ms. HUANG Jingshu, the Chairman of the Company, and Mr. HUANG Hao Yuan, the Executive Director of the Company.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 46.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

1. 一般資料

本公司為一家於開曼群島註冊成立之有限公司，其股份於香港聯合交易所有限公司（「聯交所」）主板上市。本公司註冊辦事處及主要營業地點之地址分別為PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands及香港灣仔告士打道108號大新金融中心17樓1701-1703室。其直接控股公司為中國綠景地產控股有限公司（「中國綠景」），一家於開曼群島註冊成立之有限公司，而其最終控股公司則為高鴻國際有限公司，一家於英屬維爾京群島註冊成立之有限公司。其最終控制方為黃康境先生（「黃先生」），彼乃本公司主席黃敬舒女士及本公司執行董事黃浩源先生之父親。

本公司為一間投資控股公司。其主要附屬公司的業務載於財務報表附註46。

綜合財務報表以人民幣（「人民幣」）呈列，人民幣亦為本公司的功能貨幣。

2. 應用新訂香港財務報告準則（「香港財務報告準則」）及香港財務報告準則之修訂本

於本年度強制生效之香港財務報告準則之修訂本

本集團已於本年度首次應用以下由香港會計師公會（「香港會計師公會」）頒佈之香港財務報告準則之修訂本：

香港財務報告準則第11號（修訂本）	收購共同經營權益的會計處理
香港會計準則第1號（修訂本）	披露計劃
香港會計準則第16號及香港會計準則第38號（修訂本）	釐清可接納的折舊及攤銷方法
香港會計準則第16號及香港會計準則第41號（修訂本）	農業：生產性植物
香港財務報告準則第10號、香港財務報告準則第12號及香港會計準則第28號（修訂本）	投資實體：應用綜合入賬的例外情況
香港財務報告準則（修訂本）	香港財務報告準則二零一二年至二零一四年週期之年度改進

於本年度應用該等香港財務報告準則之修訂本對本集團於本年度及以往年度的財務表現及狀況及／或在綜合財務報表所載的披露並無任何重大影響。

已頒佈但尚未生效之新訂香港財務報告準則及香港財務報告準則之修訂本

本集團尚未提早應用以下已頒佈但尚未生效之新訂香港財務報告準則及香港財務報告準則之修訂本：

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(Cont’d)

New and amendments to HKFRSs in issue but not yet effective (Cont’d)

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 7	Disclosure initiative ⁴
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁴

- ¹ Effective for annual periods beginning on or after 1 January 2018.
² Effective for annual periods beginning on or after 1 January 2019.
³ Effective for annual periods beginning on or after a date to be determined.
⁴ Effective for annual periods beginning on or after 1 January 2017.

2. 應用新訂香港財務報告準則(「香港財務報告準則」)及香港財務報告準則之修訂本(續)

已頒佈但尚未生效之新訂香港財務報告準則及香港財務報告準則之修訂本(續)

香港財務報告準則第9號	金融工具 ¹
香港財務報告準則第15號	來自客戶合約的收益及相關修訂本 ¹
香港財務報告準則第16號	租賃 ²
香港財務報告準則第2號(修訂本)	以股份為基礎之付款交易的分類及計量 ¹
香港財務報告準則第4號(修訂本)	與香港財務報告準則第4號保險合約一併應用的香港財務報告準則第9號金融工具 ¹
香港財務報告準則第10號及香港會計準則第28號(修訂本)	投資者與其聯營或合營企業之間的資產出售或注資 ³
香港會計準則第7號(修訂本)	披露計劃 ⁴
香港會計準則第12號(修訂本)	就未變現虧損確認遞延稅項資產 ⁴

- ¹ 於二零一八年一月一日或以後開始的年度期間生效。
² 於二零一九年一月一日或以後開始的年度期間生效。
³ 於釐定日期或以後開始的年度期間生效。
⁴ 於二零一七年一月一日或以後開始的年度期間生效。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(Cont’d)

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. The Group’s available-for-sale investments with the balance amounted to RMB561,048,000 which is stated at fair value, will either be measured at fair value through profit and loss or be designated as FVTOCI (subject to fulfilment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group’s financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

2. 應用新訂香港財務報告準則(「香港財務報告準則」)及香港財務報告準則之修訂本(續)

香港財務報告準則第9號金融工具

香港財務報告準則第9號引進有關金融資產、金融負債分類及計量、一般對沖會計法及金融資產之減值規定之新規定。

香港財務報告準則第9號與本集團相關之主要規定描述如下：

- 屬香港財務報告準則第9號範圍內之所有已確認金融資產其後均須按攤銷成本或公允價值計量。特別是，於旨在收取合約現金流之業務模式內持有，以及純粹為支付本金及尚未償還本金之利息而擁有合約現金流之債務投資，一般於其後會計期間結束時按攤銷成本計量。於目的為同時收取合約現金流及出售金融資產之業務模式中持有之債務工具，以及合約條款令於特定日期產生之現金流純粹為支付本金及尚未償還本金之利息的債務工具，均按透過其他全面收入按公允價值列賬之方式計量。所有其他債務投資及股本投資於其後會計期末按公允價值計量。此外，根據香港財務報告準則第9號，實體可作出不可撤回選擇於其他全面收入呈列股本投資(並非持作買賣)之其後公允價值變動，而一般僅於損益內確認股息收入。
- 就金融資產之減值而言，與香港會計準則第39號項下按已產生信貸虧損模式計算相反，香港財務報告準則第9號規定按預期信貸虧損模式計算。預期信貸虧損模式規定實體於各報告日期將預期信貸虧損及該等預期信貸虧損之變動入賬，以反映信貸風險自初始確認以來之變動。換言之，毋須再待發生信貸事件方確認信貸虧損。

本公司董事預期，於將來應用香港財務報告準則第9號對本集團的綜合財務報表內的報告金額及所作披露均可能構成重大影響。本集團結餘為人民幣561,048,000元的可供出售投資(按公允價值列賬)將透過損益按公允價值計量或指定為透過其他全面收入按公允價值列賬(惟須符合指定條件)。此外，預期信貸虧損模式可能導致須就按攤銷成本計量的本集團金融資產尚未產生的信貸虧損提早計提撥備。然而，在本集團進行詳細檢討前，對香港財務報告準則第9號的影響作出合理估計並不切實可行。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(Cont’d)

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principle versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

2. 應用新訂香港財務報告準則(「香港財務報告準則」)及香港財務報告準則之修訂本(續)

香港財務報告準則第15號來自客戶合約的收益

香港財務報告準則第15號制定一項單一全面模式供實體用作將自客戶合約所產生之收益入賬。於香港財務報告準則第15號生效後，其將取代現時載於香港會計準則第18號收益、香港會計準則第11號建築合約及相關詮釋之收益確認指引。

香港財務報告準則第15號之核心原則為實體須確認描述向客戶轉讓承諾貨品或服務之收益金額，金額應為能反映該實體預期就交換該等貨品或服務有權獲得之代價。具體而言，該準則引入五個確認收益之步驟：

- 第一步：識別與客戶訂立之合約
- 第二步：識別合約中之履約責任
- 第三步：釐定交易價
- 第四步：將交易價分配至合約中之履約責任
- 第五步：於實體完成履約責任時確認收益

根據香港財務報告準則第15號，實體於完成履約責任時確認收益，即於特定履約責任相關之商品或服務之「控制權」轉讓予客戶時，香港財務報告準則第15號已就特別情況之處理方法加入更明確的指引。此外，香港財務報告準則第15號規定作出更詳盡之披露。

於二零一六年，香港會計師公會頒佈香港財務報告準則第15號有關確認履約責任、主理人與代理人之考量及授權應用指引的釐清。

本公司董事預期，未來應用香港財務報告準則第15號可能造成更多披露。然而，本公司董事並不預期香港財務報告準則第15號之應用將對相關報告期所確認之收益時間及金額帶來重大影響。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(Cont’d)

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede the current lease guidance including HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet), except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

2. 應用新訂香港財務報告準則(「香港財務報告準則」)及香港財務報告準則之修訂本(續)

香港財務報告準則第16號租賃

香港財務報告準則第16號為識別出租人及承租人之租賃安排及會計處理引入一個綜合模式。於香港財務報告準則第16號生效後，其將取代現時載於香港會計準則第17號租賃之租賃指引及相關詮釋。

香港財務報告準則第16號根據已識別資產是否由客戶控制來區分租賃及服務合約。除短期租賃及租賃低值資產外，經營租賃(資產負債表外)及融資租賃(資產負債表內)之差異自承租人之會計法中移除，並由承租人須就所有租賃確認使用權資產及相應負債(即於資產負債表內之所有項目)之模式替代。

使用權資產初步按成本計量，隨後按成本(若干例外情況除外)減累計折舊及減值虧損計量，經租賃負債之任何重新計量調整。租賃負債初步按當日尚未支付之租賃付款之現值計量。隨後，租賃負債經(其中包括)利息及租賃付款以及租賃修改之影響予以調整。就現金流量之分類而言，本集團現時呈列先期預付租賃款項作為有關自用租賃土地及該等分類為投資物業之投資現金流量，而其他經營租賃付款則呈列為經營現金流量。根據香港財務報告準則第16號，有關租賃負債之租賃付款將分配至本金及利息部分，此將分別呈列為融資及經營現金流量。

根據香港會計準則第17號，本集團已就租賃土地之融資租賃安排及預付租賃款項(倘本集團為承租人)確認資產及有關融資租賃負債。應用香港財務報告準則第16號可能導致該等資產分類出現潛在變動，視乎本集團是否分開呈列使用權資產或按將呈列相應有關資產(如擁有)之相同項目呈列而定。

相比承租人會計法而言，香港財務報告準則第16號大致上轉承香港會計準則第17號之出租人會計法規定，並繼續要求出租人將租賃分類為經營租賃或融資租賃。

此外，香港財務報告準則第16號要求廣泛披露。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(Cont’d)

HKFRS 16 Leases (Cont’d)

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB122,589,000 as disclosed in note 41. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group’s consolidated financial statements and the directors are currently assessing its potential impact. However, it is not practicable to provide a reasonable estimate of the financial effect until the Group performs a detailed review.

Except those mentioned above, the directors of the Company anticipate that the application of other new standards and amendments to HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, available-for-sale investments and derivative financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2. 應用新訂香港財務報告準則(「香港財務報告準則」)及香港財務報告準則之修訂本(續)

香港財務報告準則第16號租賃(續)

於二零一六年十二月三十一日，本集團之不可撤銷經營租賃承擔為人民幣122,589,000元，詳情於附註41中披露。初步評估表示該等安排將符合香港財務報告準則第16號項下租賃之定義，因此，本集團將確認使用權資產及有關所有該等租賃之相應負債，除非其於應用香港財務報告準則第16號後符合低價值或短期租賃的資格。此外，用作確認使用權資產及相關租賃負債的新規定預期對於本集團綜合財務報表中確認的金額造成重大影響，董事目前正在評估其潛在影響。然而，於本集團進行詳細審閱之前，提供財務影響之合理估計並不切實可行。

除上文所述外，本公司董事預期應用其他新訂準則及香港財務報告準則之修訂本將不會對綜合財務報表造成重大影響。

3. 主要會計政策

綜合財務報表乃根據香港會計師公會頒佈的香港財務報告準則而編製。此外，綜合財務報表包括聯交所證券上市規則(「上市規則」)及香港公司條例的適用披露規定。

於各報告期末，除下文所載會計政策闡釋的投資物業、可供出售投資及衍生金融工具按公允價值計量外，綜合財務報表乃按歷史成本基準編製。

歷史成本一般按換取貨品及服務所付出代價之公允價值計量。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. 主要會計政策(續)

公允價值是於計量日期市場參與者於有序交易中出售資產可收取或轉讓負債須支付的價格，而不論該價格是否直接可觀察或可使用其他估值技術估計。若市場參與者於計量日期對資產或負債定價時會考慮資產或負債的特點，則本集團於估計資產或負債的公允價值時會考慮該等特點。此等綜合財務報表中作計量及／或披露用途的公允價值乃按此基準釐定，惟屬於香港財務報告準則第2號以股份為基礎的付款範圍的以股份為基礎之付款交易、屬於香港會計準則第17號租賃範圍內的租賃交易，以及與公允價值有部份相若地方但並非公允價值的計量，譬如香港會計準則第2號存貨內的可變現淨額或香港會計準則第36號資產減值的使用價值除外。

非金融資產的公允價值計量須考慮市場參與者充分利用該資產或充分利用該資產向另一市場參與者進行銷售從而產生經濟效益的能力。

此外，就財務申報而言，公允價值計量根據公允價值計量的輸入數據可觀察程度及公允價值計量的輸入數據對其整體的重要性分類為第一級、第二級或第三級，詳情如下：

- 第一級輸入數據是實體於計量日期可以取得的相同資產或負債於活躍市場之報價(未經調整)；
- 第二級輸入數據是就資產或負債直接或間接地可觀察之輸入數據(第一級內包括的報價除外)；及
- 第三級輸入數據是資產或負債的不可觀察輸入數據。

重要會計政策載列如下。

綜合基準

綜合財務報表包括本公司及其所控制之實體及其附屬公司之財務報表。當本公司符合以下要素時，則本公司取得控制權：

- 可對投資對象行使權力；
- 因參與投資對象業務而承擔浮動回報的風險或享有權利；及
- 有能力使用其權力影響其回報。

倘有事實及情況顯示上述三項控制權要素有一項或以上出現變動，本公司會重新評估其是否對投資對象擁有控制權。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation (Cont'd)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant entity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. 主要會計政策(續)

綜合基準(續)

附屬公司之綜合入賬於本集團取得有關附屬公司之控制權起開始，並於本集團失去有關附屬公司之控制權時終止。具體而言，年內所收購或出售附屬公司之收入及開支乃自本集團取得控制權之日期起計入綜合損益表，直至本集團不再控制有關附屬公司之日期為止。

損益及其他全面收益之每個項目乃歸屬於本公司股東及非控股權益。附屬公司之全面收益總額歸屬於本公司股東及非控股權益，即使此舉會導致非控股權益產生虧絀結餘。

於必要時，將對附屬公司之財務報表作出調整，以令彼等之會計政策與本集團之會計政策一致。

有關本集團成員公司之間交易的所有集團內公司間之資產及負債、權益、收入、支出及現金流量於綜合入賬時悉數對銷。

本集團於現有附屬公司所有權權益的變動

未導致本集團失去對附屬公司控制權的本集團於現有附屬公司所有權權益的變動以權益交易列賬。為反映其於附屬公司的相關權益變動，本集團的相關權益部分(包括儲備)及非控股權益的賬面值會作出調整。非控股權益於重新分配相關權益部分後所作調整數額與已付或已收代價公允價值之間的任何差額直接於權益內確認，並歸屬於本公司股東。

當本集團失去附屬公司的控制權時，收益或虧損於損益確認，並按以下兩者的差額計算得出：(i)已收代價的公允價值及任何保留權益的公允價值的總和；及(ii)本公司股東應佔附屬公司資產(包括商譽)及負債的先前賬面值。先前就該附屬公司於其他全面收益確認的所有金額，按猶如本集團已直接出售該附屬公司的相關資產或負債入賬處理(即按適用的國際財務報告準則所規定/許可，重新分類至損益或轉撥至另一類權益)。於失去控制權當日於前附屬公司保留之任何投資之公允價值將根據香港會計準則第39號於其後入賬時被列作初步確認之公允價值，或(如適用)於初步確認時於聯營公司或一家合營公司之投資成本。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

3. 主要會計政策(續)

業務合併

收購業務採用收購法入賬。業務合併之轉撥代價按公允價值計量，而計算方法為本集團所轉讓之資產於收購日之公允價值、本集團向被收購方原擁有人產生之負債及本集團於交換被收購方之控制權發行之股權。有關收購之費用於產生時一般於損益中確認。

於收購日，所收購之可識別資產及所承擔之負債按公允價值確認，惟下文所述者除外：

- 遞延稅項資產或負債及與僱員福利安排有關之資產或負債，分別根據香港會計準則第12號 *所得稅* 及香港會計準則第19號 *僱員福利* 確認並計量；
- 與被收購公司以股份為基礎之付款安排或以本集團訂立以股份為基礎之付款安排取代被收購公司以股份為基礎之付款安排相關之負債或股本工具乃於收購日期根據香港財務報告準則第2號 *以股份為基礎之付款* 計量(見下文會計政策)；及
- 根據香港財務報告準則第5號 *持有待售之非流動資產及已終止經營業務* 分類為持有待售之資產(或出售組別)則根據該準則計量。

商譽是以所轉撥之代價、於被收購方中所佔任何非控股權益金額、及收購方以往持有被收購方股權(如有)之公允價值之總和，減所收購之可識別資產及所承擔之負債於收購日期之淨值後，所超出之差額計值。倘經過重新評估後，所收購之可識別淨資產與所承擔負債於收購日期之淨額高於轉撥之代價、非控股權益於被收購方中所佔任何金額與收購方先前持有被收購方之權益(如有)之公允價值之總和，則差額即時於損益內確認為議價收購收益。

屬現時擁有之權益且於清盤時讓持有人有權按比例分佔相關附屬公司之資產淨值之非控股權益，可初步按公允價值或非控股權益應佔被收購方可識別資產淨值的已確認金額比例計量。計量基準視乎每項交易而作出選擇。其他類型的非控股權益乃按其公允價值計量。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statement items of the combining entities as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined, unless the combining entities first come under common control at a later day.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair value, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Goodwill

Goodwill (see the accounting policy above) is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represents the lowest level at which the goodwill is monitored for internal management purpose and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. 主要會計政策(續)

共同控制合併的合併會計法

綜合財務報表加入出現共同控制合併的合併實體的財務報表項目，猶如已於合併實體首次在控制方的控制下的當日已合併。

合併實體的資產淨值從控制方的角度以現有賬面值合併。於共同控制合併時均不會確認商譽或議價收購收益的金額。

綜合損益表包括由最早呈列日期或合併實體首次受共同控制的日期(倘為較短期間)起，各合併實體的業績。

綜合財務報表內的比較金額的呈列方式，猶如該等實體已合併，惟於較後日期首次受共同控制之合併實體除外。

收購附屬公司並不構成一項業務

當本集團收購一組並不構成業務之資產及負債時，本集團透過首先向金融資產及金融負債按相關公允價值分配收購價，以識別及確認所收購個別可識別資產及所承擔負債，而收購價餘下結餘其後按其於購買日期之相關公允價值為基準分配至其他個別可識別資產及負債。有關交易並不會產生商譽或議價收購收益。

商譽

商譽(見上文會計政策)乃按業務收購日期釐定之成本減累計減值虧損(如有)列賬。

就減值測試而言，商譽乃分配至預期從合併之協同效應中獲利之本集團各現金產生單位(或現金產生單位組別)，即指就內部管理而言監察商譽的最低水平，且不大於經營分部。

本集團每年會就獲分配商譽之現金產生單位(或現金產生單位組別)進行減值測試，或於有跡象顯示該單位可能已經減值時更頻繁地進行測試。就於報告期內收購產生之商譽而言，已獲分配商譽之現金產生單位(或現金產生單位組別)於報告期末前進行減值測試。倘現金產生單位之可收回數額少於其賬面值，則本集團會首先分配減值虧損以減少任何商譽之賬面值，再根據該單位(或現金產生單位組別)之各項資產之賬面值按比例分配予其他資產。

出售相關現金產生單位時，釐定出售損益時須計入商譽之應佔金額。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

3. 主要會計政策(續)

投資合營公司

合營企業指一項聯合安排，對安排擁有共同控制權之訂約方據此對聯合安排之資產淨值擁有權利。共同控制是指按照合約約定對某項安排所共有的控制，共同控制僅在當相關活動要求共同享有控制權之各方作出一致同意之決定時存在。

合營公司的業績、資產及負債按權益法計入此綜合財務報表中。按照權益法，於合營公司之投資乃按成本於綜合財務狀況報表中首次確認，並於其後就確認集團應佔該合營公司之損益及其他全面收益而作出調整。倘集團所佔於合營公司之虧損等於或超越集團於合營公司應佔權益(包括任何實際上構成集團於合營公司投資淨值其中部分之長遠權益)，集團應不再確認應佔的虧損。確認額外虧損只限於集團須受合法或結構性責任或代合營公司支付款項。

於合營公司之投資採用權益會計法自被投資者成為合營公司當日起入賬。於收購合營公司之投資時，投資成本超過本集團應佔被投資者之可識別資產及負債之公允價值淨值之任何部份均確認為商譽，並計入投資之賬面值。本集團應佔可識別資產及負債之公允價值淨值超過投資成本之任何部份(經重新評估後)於收購投資之期間即時確認為損益。

香港會計準則第39號之規定予以應用，以釐定是否需就本集團於合營公司之投資確認任何減值虧損。於需要時，該項投資之全部賬面值(包括商譽)會根據香港會計準則第36號*資產減值*以單一資產的方式進行減值測試，方法是比較其可收回金額(即使用價值與公允價值減出售成本之較高者)與賬面值。任何已確認之減值虧損構成該項投資之賬面值的一部份，有關減值虧損之任何撥回乃於該項投資之可收回金額其後增加之情況根據香港會計準則第36號確認。

倘本集團削減其於合營公司之所有權權益而本集團繼續採用權益法，若有關收益或虧損會於出售相關資產或負債時重新分類至損益，則本集團會將先前已於其他全面收入確認與削減所有權權益有關之收益或虧損部分重新分類至損益。

倘集團實體與本集團之合營公司進行交易，僅在合營公司之權益與本集團無關之情況下，與合營公司進行交易所產生之盈利及虧損，方會於本集團之綜合財務報表中確認。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sales of goods is recognised when the goods are delivered and titles have passed.

Specifically, revenue from sales of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Revenue from hotel operation is recognised when the relevant services are provided. Property management fee income and rental related income are recognised in profit or loss when the services are rendered.

Interest and investment income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

The Group's policy for recognition of revenue from operating leases is described in the accounting policy below.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are initially measured at cost, including any directly attributable expenditure. Cost incurred for investment properties under development comprises development expenditure including professional charges directly attributable to the development and borrowing costs, and these costs are capitalised as part of the carrying amount of the investment properties under development during the development period.

3. 主要會計政策(續)

收入確認

收入以已售貨品之已收及應收代價之公允價值計算。收入已就估計客戶退貨、回扣及其他類似撥備作出扣減。

收入於收入金額能可靠計量、未來經濟利益可能流入本集團以及符合下文所述本集團的各業務的特定條件時確認。

銷售貨品之收入於貨品付運及擁有權已轉移時確認。

具體而言，日常業務過程中銷售物業所得之收入於相關物業已完成發展及已交付予買家時確認。於符合上述收入確認標準前所收取之買方按金及分期付款計入綜合財務狀況表內流動負債項下。

來自酒店經營的收益於提供有關服務時確認。物業管理收入及與租賃相關的收入於有關服務提供時在損益表確認。

來自金融資產之利息及投資收入於經濟利益可能流入本集團及收入金額能可靠計量時確認利息收入按未償還本金額及適用之實際利率以時間比例計算。有關利率指於初步確認時將金融資產之估計未來所收現金在估計可使用期內折現至資產賬面淨值之利率。

投資所得股息收入乃於確定股東收取付款之權利時確認。

本集團有關確認來自經營租賃收益的政策詳述於下文會計政策。

投資物業

投資物業指為賺取租金及／或資本增值而持有的物業(包括用於該等目的的在建物業)。

投資物業應按成本值(包括任何直接應佔費用)進行初始計量。在發展中投資物業產生之成本包括開發直接相關專業費用及借貸成本等發展開支，該等成本於開發期間資本化為發展中投資物業賬面值的一部分。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment properties (Cont'd)

Subsequent to initial recognition, investment properties, including completed investment properties and investment properties under development, are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Property, plant and equipment

Property, plant and equipment including buildings, leasehold land (classified as finance leases) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. 主要會計政策(續)

投資物業(續)

於初次確認後，投資物業(包括已完成投資物業及發展中投資物業)乃按其公允價值計量。投資物業公允價值變動所產生之盈虧於產生期間計入損益賬。

投資物業於被出售時或於投資物業永久不可使用及預期其出售不會產生任何未來經濟利益時予以撇除確認。撇除確認該物業所產生之任何收益或虧損(計算為出售所得款項淨額與該資產賬面值間之差額)於該項目被撇除確認之當期計入損益。

物業、廠房及設備

物業、廠房及設備包括樓宇、土地(分類為融資租賃)，於綜合財務狀況報表以成本減其後累計折舊及累計減值虧損(如有)列賬。

興建中的物業(作出產用途)均按成本減任何已確認減值虧損列賬。成本包括轉業費，以及就合資格資產而言，根據集團的會計政策撥作資本的借貸成本。該等物業於完成及擬定使用時分類至適當的類別。該等資產按其他物業資產的相同基準，在可擬定用途時間開始折舊。

資產(除了在建工程)會以直線法在其估計使用年期內對其成本減去殘值後確認折舊。估計使用年期、殘值和折舊方法會在每個報告期末覆核，並採用未來適用法對估計變更的影響進行核算。

根據融資租賃持有的資產按與自有資產相同的基準於其預期可用年期內計提折舊。然而，倘並不能合理地確定本公司於租賃期末可取得其擁有權，則該資產按租賃期與其使用年期兩者中的較短者計提折舊。

物業、廠房及設備項目將於出售時或預期繼續使用有關資產亦不會帶來任何未來經濟利益時終止確認。出售或棄用物業、廠房及設備項目所產生任何收益或虧損，按有關資產的出售所得款項與其賬面值差額計算，在損益內確認。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Properties under development for sale

Properties under development which are intended to be held for sale are carried at lower of cost and net realisable value and are shown as current assets. Cost includes the costs of land (including relocation costs), development expenditure incurred and, where appropriate, borrowing costs capitalised during construction period. Net realisable value is determined based on prevailing market conditions.

Properties under development for sales are transferred to properties held for sale upon completion of development activities, which is when the relevant completion certificates are issued by the respective government authorities.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total land and development costs attributable to the properties held for sale. Net realisable value is determined based on prevailing market conditions.

Other inventories

Other inventories comprising consumable stores for own consumption which are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Impairment on tangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. 主要會計政策(續)

發展中待售物業

擬持作出售的發展中物業乃按成本與可變現淨值兩者之間較低者入賬並列作流動資產。計入土地成本的成本(包括拆遷費用)、所產生的發展開支及於建築期間資本化的借貸成本(倘適用)。可變現淨值乃基於當前市況釐定。

開發活動竣工時，即有關政府機關發出相關竣工證明時，發展中待售物業結轉至持作出售物業。

待售物業

待售物業按成本及可變現淨值兩者之較低者列賬。成本乃按待售物業應佔之土地及發展成本總額釐定。可變現淨值乃根據當前市場情況釐定。

其他存貨

其他存貨包括供本身消耗的消耗品庫存材料，初步按成本確認，而隨後以較低成本及可變現淨值確認。成本按加權平均法釐定。

除商譽外有形資產減值(請參閱上文有關商譽之會計政策)

本集團會於各報告期末審閱其有形資產之賬面值，以確定有否任何跡象顯示該等資產已出現減值虧損。倘有任何該等跡象存在，須估計資產可收回金額以釐定減值虧損程度(如有)。倘無法估計個別資產之可收回金額，本集團將估計該資產所屬現金產生單位可收回金額。如能確定一個合理及一致之分配基準，公司資產亦分配至個別現金產生單位，否則將分配至如能確定一個合理及一致之分配基準的情況下將分配至之最小現金產生單位。

可收回金額乃公允價值扣除銷售成本與使用價值之較高者。在評估使用價值時，估計未來現金流量將使用稅前貼現率貼現至其現值，以反映目前資金時間值之市場估量及未調整未來現金流估計之資產有關之風險。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment on tangible assets other than goodwill (see the accounting policy in respect of goodwill above) (Cont'd)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an assets is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the assets is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are classified as available-for-sale (“AFS”) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. 主要會計政策(續)

除商譽外有形資產減值(請參閱上文有關商譽之會計政策)(續)

倘資產(或現金產生單位)可收回金額估計低於其賬面值，則該資產(或現金產生單位)賬面值將扣減至其可收回金額。於分配減值虧損時，首先分配減值虧損以減低任何商譽的賬面值(如適用)，然後根據該單位內各項資產的賬面值按比例分配至其他資產。資產的賬面值不會被減低至低於其公允價值減出售成本(如可計量)、其使用價值(如可釐定)及零之最高者。以其他方式分配至資產的減值虧損金額按比例分配至該單位的其他資產。減值虧損應即時於損益內確認。

倘若減值虧損其後撥回，則該資產(或現金產生單位)之賬面值會增加至修訂後之估計可收回款額，惟所增加之賬面值數額不得超過倘以往年度該資產(或現金產生單位)未有確認減值虧損之賬面值。減值虧損撥回會即時於損益賬內確認。

金融工具

倘集團實體成為工具合約條文的訂約方，則確認金融資產及金融負債。

財務資產及財務負債初步按公允價值計量。因收購或發行財務資產及財務負債，於初步確認時加入財務資產或財務負債(如適用)的公允價值或自財務資產或財務負債(如適用)的公允價值中扣除。

金融資產

金融資產乃分類為可供出售(「可供出售」)金融資產及貸款及應收款項。分類取決於財務資產在初期確認時確定的性質和用途。所有常規購買或出售金融資產於交易日確認及終止確認。常規購買或出售金融資產指購買或出售需要在一般由法規或市場慣例確定的期間內移交資產。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method are recognised in profit or loss. Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy on impairment loss on financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts and other receivables, other current assets, restricted bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. 主要會計政策(續)

金融工具(續)

金融資產(續)

實際利率法

實際利率法為計算債務資產攤銷成本及於有關期間分配利息收入之方法。實際利率為可準確將債務工具在預計年期或較短期間內(如適用)產生之估計未來現金收入(包括構成實際利率主要部分之所有已付或已收費用、交易成本及其他溢價或折價)折算為初步確認時之賬面淨值之利率。

利息收入按債務工具之實際利率基準確認。

可供出售財務資產

可供出售財務資產乃指定可供出售或並未分類為(a)貸款和應收款項、(b)持至到期投資或(c)通過損益以反映公允價值之財務資產之非衍生工具。

由本集團持有的分類為可供出售金融資產且於活躍市場上買賣的權益及債務證券於各報告期末按公允價值計量。與使用實際利率法計算的利息收入有關的可供出售貨幣金融資產賬面值的變動於損益中確認。可供出售股權投資之股息乃於確定本集團有權收取該股息時於損益中確認。可供出售金融資產賬面值的其他變動於其他全面收益中確認及於投資重估儲備中累積。當投資被出售或被釐定為減值時，先前在投資重估儲備中累計的累積收益或虧損將重新分類至損益(見下文金融資產減值虧損的會計政策)。

如可供出售股權投資於活躍市場沒有市場報價且公平值不能可靠計算，則於各報告期末按成本價扣除任何已識別減值虧損計量。(參見下文有關金融資產減值虧損之會計政策)。

貸款及應收款項

貸款及應收款項乃並無於活躍市場報價的固定或待定金額付款的非衍生財務資產。於初步確認後，貸款及應收款項(包括應收賬款及其他應收款項、其他流動資產、受限制銀行存款及銀行結餘及現金)均以實際利率法，按攤銷成本減任何已識別減值虧損列賬。

利息收入透過採用實際利率確認，惟短期應收款項除外，因為確認有關短期應收款之利息屬微不足道。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as accounts and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. 主要會計政策(續)

金融工具(續)

金融資產(續)

金融資產減值

金融資產會於各報告期末評定是否有減值跡象。倘有客觀證據顯示，該項金融資產之預期未來現金流量因於初步確認該金融資產後發生之一項或多項事件而受到影響，則金融資產會被視為減值。

若可供出售股權投資之公允值顯著或長期低於其成本價，則被視為需作減值之客觀證據。

減值之客觀證據可能包括：

- 發行人或交易對手出現重大財政困難；或
- 違約，如未能繳付或拖欠利息及本金；或
- 借款人有可能面臨破產或財務重組。

就若干類別之金融資產(如應收賬款及其他應收款項)而言，倘按個別基準評估為無需減值，則需額外按整體基準作減值評估。應收款項組合減值之客觀證據包括本集團過往收取款項之經驗以及與拖欠應收款項相關的國家或本地經濟之可見因素轉變。

就按已攤銷成本列賬之金融資產而言，所確認之減損虧損金額為資產賬面值與估計未來現金流量按金融資產原實際利率貼現之現值兩者間之差額。

就按成本列賬之金融資產而言，減值虧損數額以資產賬面值與按同類金融資產現行市場回報率貼現之估計日後現金流量現值之差額計算。該等減值虧損不會於其後期間撥回(見下文會計政策)。

與所有金融資產有關之減值虧損會直接於金融資產之賬面值中作出扣減，惟應收賬款除外，其賬面值則透過撥備賬作出扣減。撥備賬內之賬面值變動會於損益內確認。當應收款項被視為不可收回時，其將於撥備賬內撇銷。於其後重新收回之先前撇銷之款項將計入損益。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, 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, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

A financial instrument issued by a group entity, which all of the entities in the Group have no contractual obligation to deliver cash or other financial assets to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Group, is classified as an equity instrument and is initially recorded at the proceeds received. Convertible preference shares issued by the Company that have the above characteristics are classified as equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

3. 主要會計政策(續)

金融工具(續)

金融資產(續)

金融資產減值(續)

當可供出售金融資產需作減值時，早前於其他全面收益中確認之累計收益或虧損，將於該期間重新分類到損益中。

就按已攤銷成本列賬之金融資產而言，倘於隨後期間減值之數額減少，而此項減少能客觀地與確認減值虧損後發生之事項有關，則先前確認之減值虧損於損益撥回，資產於撥回減值當日之賬面值不得超過假設未確認減值時之已攤銷成本。

可供出售股權投資先前已於損益中確認之減值虧損不能通過損益撥回。任何於減值後出現之公允值增加將於其他全面收益中確認及於投資重估儲備中累積。

金融負債及股本工具

集團實體發行之債務及股本工具，乃根據合約安排之內容以及金融負債和股本工具之定義被分類為金融負債或股本。

股本工具

股本工具為證明於扣除所有負債後個體之資產剩餘權益之任何合約。由本集團發行之股本工具按已收所得款項減直接發行成本確認。

集團實體發行之金融工具(其不包括本集團向持有人交付現金或其他金融資產或按對本集團而言存在潛在不利之條件與持有人交換金融資產或金融負債之合約責任)分類為股本工具並按已收所得款項初步入賬。具有上述特徵之本公司所發行之可換股優先股乃分類為權益性工具。

實際利率法

實際利率法為計算金融負債攤銷成本及於有關期間分配利息開支之方法。實際利率為在初步確認時於金融負債之預計年期或較短期間內(如適用)將估計未來現金支出(包括構成實際利率不可或缺部份之已付或已收之一切費用、交易成本及其他溢價或折讓)確切地貼現至賬面淨值之利率。利息開支按實際利率基準確認。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments (Cont'd)

Financial liabilities at amortised cost

Financial liabilities including accounts and other payables, borrowings and liability component of convertible bonds are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds contain debt and derivative components

Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative components are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

Derivatives financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit and loss immediately unless the derivative is designated and effective as hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. Generally, multiple embedded derivatives in a single instrument are treated as a single compound embedded derivative unless those derivatives related to different risk exposures and are readily separable and independent of each other.

3. 主要會計政策(續)

金融工具(續)

金融負債及股本工具(續)

按攤銷成本列賬之金融負債

金融負債包括使用實際利率法，其後按攤銷成本計量之應付賬款及其他應付款項、借貸及可換股債券之負債部分。

含有債務及衍生工具部分之可換股債券

倘兌換股權將透過以固定金額之現金或另一項金融資產換取固定數目之本集團實體之股本工具以外的方式結算，則分類為兌換股權衍生工具。

於發行日期，債務部分及衍生工具部分均按公允價值確認。於往後期間，可換股債券的債務部分乃採用實際利率法按攤銷成本入賬。衍生工具部分乃按公允價值計量，而公允價值的變動則於損益中確認。

與發行可換股債券有關的交易成本乃按彼等相關公允價值的比例分配至債務及衍生工具部分。與衍生工具部分有關的交易成本即時於損益中扣除。與債務部分有關的交易成本計入債務部分的賬面值，並採用實際利率法按可換股債券的年期攤銷。

衍生金融工具

衍生工具最初於衍生工具合約訂立當日按其公允價值確認，並其後於報告期末按公允價值重新計量。由此產生之收益或虧損即時於損益表內確認，除非衍生工具被指定為對沖工具並行之有效。在該情況下，於損益表確認之時間乃視乎對沖關係之性質而定。

嵌入式衍生工具

當非衍生工具主合約之嵌入式衍生工具符合衍生工具的定義、其風險及特徵與主合約之風險及特徵並無密切關係，且主合約並非按公允價值計入損益計量時，則被視為獨立衍生工具。一般而言，多個於單一工具內的嵌入式衍生工具均被視為單一複合嵌入式衍生工具，除非該等衍生工具與不同風險有關及可明顯分開並獨立於對方。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Embedded derivatives (Cont'd)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

3. 主要會計政策(續)

金融工具(續)

嵌入式衍生工具(續)

財務擔保合約

財務擔保合約為本集團須因指定債務人未能根據債務工具之條款支付到期款項致使持有人蒙受損失時，向持有人償付指定款項之合約。

本集團發行之財務擔保合約於初次確認時以公允值計算，倘非指定為按公允值列入損益賬，其後以下列各項之較高者計量：

- (i) 根據香港會計準則第37號撥備、或然負債及或然資產釐定合約項下承擔之金額；及
- (ii) 初次確認之金額減去於擔保期內確認之累計攤銷(如適用)的金額。

終止確認

僅在獲取金融資產所產生現金流量的合同權利到期，或者將金融資產及該資產所有權上幾乎所有的風險和報酬轉讓給另一個實體的情況下，本集團才終止確認一項金融資產。

一旦悉數終止確認金融資產，資產的賬面值與收到及應收的代價與已在其他全面收益中確認並在權益中累計的累積損益之和之間的差額會在損益中確認。

僅在本集團的義務已經履行、解除或其到期時，本集團才終止確認金融負債。終止確認的金融負債的賬面值與支付及應付的代價之間的差額會在損益中確認。

租賃

凡租賃條款將擁有權之絕大部分風險及回報轉移予承租人之租約均列作融資租賃。所有其他租約均列作營業租約。

本集團以出租人身份

營業租約之租金收入於有關租約期內按直線法於損益內確認。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing (Cont'd)

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Borrowing costs

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

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

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

3. 主要會計政策(續)

租賃(續)

本集團以承租人身份

營業租約付款於有關租約期內按直線法確認為開支。

租賃土地及樓宇

倘租約包括土地及樓宇部份，則本集團會評估對各部份擁有權所附帶之絕大部分風險及回報是否已轉移至本集團，並根據評估結果將各部份獨立分類為融資或營業租約，除非兩個部份明顯屬於營業租約，於此情況下，整份租約歸類為營業租約。具體來說，最低租賃付款(包括任何一次過預付款)會按訂立租賃時租賃土地部分與樓宇部分租賃權益的相關公允價值比例，於土地及樓宇部分之間分配。

倘租賃付款能夠可靠分配，則列為經營租約之租賃土地權益於綜合財務狀況報表呈列為「預付租賃款項」，並按直線基準於租期內進行攤銷，惟分類為並以公允價值模式列作投資物業者除外。當租賃付款不能可靠地分配土地及樓宇之間，整個租賃一般分類為融資租賃，並入賬為物業、廠房及設備。

借貸成本

與收購、興建或生產附帶限制之資產(即需經過一段相當時間方準備就緒可作擬定用途或以供出售之資產)直接相關之借貸成本均會計入該等資產之成本中，直至資產大致可作擬定用途或可供出售。

特定借貸於撥作為附帶限制之資產開支前所進行之暫定投資而賺取之投資收入會從可資本化之借貸成本中扣除。

所有其他借貸成本於產生期間於損益確認。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit and loss on disposal or partial disposal of the Group's interest.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in share option reserve.

3. 主要會計政策(續)

外幣

在編製各集團個體之財務報表時，以該實體功能貨幣以外貨幣(外幣)進行之交易乃按交易日期之匯率確認。於各報告期末，以外幣結算之貨幣項目按當日之適用匯率重新換算。以外幣結算並按公允價值列賬之非貨幣項目則按釐定公允價值當日之適用匯率重新換算。按歷史成本以外幣計量之非貨幣項目不會重新換算。

於結算貨幣項目及重新換算貨幣項目時產生之匯兌差額均於彼等產生期間內在損益中確認，惟應收或應付海外業務的貨幣項目的匯兌差額除外，就此，有關結算未納入計劃中亦無可能產生(因此成為海外業務投資淨額的部分)，且就出售或出售部分本集團權益而初步於其他全面收益中確認並自權益中重新分類至損益。

為呈列綜合財務報表，本集團海外業務之資產及負債按報告期末之匯率換算為本集團之呈列貨幣(即人民幣)。收入及開支項目則按期內之平均匯率換算，惟倘期內匯率出現大幅波動，則採用交易日現行之匯率換算。由此產生之匯兌差額(如有)於其他全面收入確認並累計於權益中匯兌儲備。

於出售海外業務(即出售本集團海外業務之全部權益，或出售涉及喪失包括海外業務之附屬公司之控制權)時，就本公司擁有人應佔該業務而於權益累計之所有匯兌差額會重新分類至損益。

此外，倘部份出售附屬公司而並無導致本集團喪失對附屬公司之控制權，則按比例分佔之累計匯兌差額會重新歸屬於非控股權益，且不會於損益內確認。

以股份為基礎付款之股本結算交易

授予僱員之購股權

以權益結算並以股份為基礎支付予員工及提供類似服務的其他人士的款項於授出日期按股本工具之公允價值計量。

於以權益結算並以股份為基礎付款之授出日期釐定之公允價值，基於本集團預計將最終歸屬之股本工具按直線法於歸屬期內支銷，而購股權儲備亦相應增加。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Equity-settled share-based payment transactions (Cont'd)

Share options granted to employees (Cont'd)

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme, are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. 主要會計政策(續)

以股份為基礎付款之股本結算交易(續)

授予僱員之購股權(續)

於各報告期末，本集團修訂其對預期歸屬之股本工具數目之估計。修訂原有估計之影響(如有)乃於損益內確認，而此等累計開支反映經修訂之估計，並會在購股權儲備中作出相應調整。

於購股權獲行使時，過往於購股權儲備中確認之數額將轉撥至股份溢價。倘購股權於歸屬日期後被沒收或於屆滿日期仍未獲行使，則過往於購股權儲備中確認之數額將轉撥至保留溢利。

退休福利費用

向定額供款退休福利計劃(包括國營退休福利計劃及強制性公積金計劃)支付之款項在僱員提供服務而有權獲得有關供款時列作開支。

稅項

所得稅支出指即期應付稅項及遞延稅項之總額。

即期應付稅項乃按本年度應課稅盈利計算。應課稅盈利與綜合損益表中所呈報之「除稅前盈利」不同，原因是於其他年度應課稅或可扣稅之收入或開支與從未課稅或扣稅之項目之差別。本集團之即期稅項負債按於呈報期末前已頒佈或實際上已頒佈之稅率計算。

遞延稅項以綜合財務報表中之資產及負債賬面值與計算應課稅盈利之相應稅基之臨時差額確認入賬。遞延稅項負債通常會就所有應課稅臨時差額確認，而遞延稅項資產通常會就所有可扣稅臨時差額按可能出現可利用該等臨時差額扣稅之應課稅盈利時確認。倘於一項交易中，因商譽或因業務合併以外原因初次確認其他資產及負債而引致之臨時差額既不影響應課稅盈利亦不影響會計盈利，則不會確認該等遞延稅項資產及負債。此外，倘初始確認商譽產生暫時差額，則不會確認遞延稅項負債。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. 主要會計政策(續)

稅項(續)

遞延稅項負債就附屬公司投資及合營公司權益有關之應課稅暫時差額確認，惟倘本集團能夠控制暫時差額之撥回，且暫時差額於可見未來可能不會撥回則除外。與該等投資及權益相關之可扣稅暫時差額所產生之遞延稅項資產僅於可能有足夠應課稅盈利以使用暫時差額之利益且預計於可見將來可以撥回時確認。

遞延稅項資產之賬面值於各報告期末審閱，並於可能不再有足夠應課稅盈利以收回全部或部分資產之情況下作出相應扣減。

遞延稅項資產及負債按預期於負債清償或資產變現時應用，並按於報告期末已頒佈或實質上頒佈之稅率(及稅法)計算之稅率計量。

遞延稅項負債及資產之計量反映依循本集團預期於報告期末收回或清償其資產及負債賬面值之方式所產生之稅務結果。

就計量按公允值模式計量之投資物業之遞延稅項負債而言，該等物業之賬面值乃假設將通過銷售全部收回，除非該假設遭推翻則另作別論。倘投資物業可予折舊，而持有投資物業的商業模式之目的為隨時間消耗投資物業所包含之絕大部分經濟利益，而非銷售，則該假設即被推翻。

即期及遞延稅項於損益內確認，惟當其涉及於其他全面收入確認或直接於權益確認之項目除外，屆時即期及遞延稅項亦分別會於其他全面收入確認或直接於權益確認。倘因業務合併之初步入賬產生即期稅項或遞延稅項，有關稅務影響會計入業務合併。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Income tax

The Group is subject to income tax in various jurisdictions. Significant judgement is required in determining the amount of the provision of tax and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in periods in which such determinations are made.

The Group is subject to land appreciation tax ("LAT") in the PRC. However, the implementation and settlement of this tax varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised certain LAT calculation and payments with local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount on the appreciation of land value and its related LAT. The Group recognised LAT based on management's best estimates according to the understanding of the tax rules, which are determined by the appreciation of land value. The amount of the land appreciation is determined with reference to estimated proceeds of the sales of properties less the estimated deductible expenditures, including the cost of land use rights and all property development expenditures.

During the year, the Group incurred LAT of RMB694,855,000 (2015: RMB50,400,000) which was charged to the consolidated statement of profit or loss as income tax expense. The directors of the Company considered the amount charged to the consolidated statement of profit or loss to be adequate as this is calculated according to the method which is in compliance with the existing rules and interpretation of LAT.

4. 重要會計判斷及主要估計不確定性來源

於應用附註3所載之本集團會計政策時，本公司董事須就從其他來源並非顯而易見之資產及負債賬面值作出判斷、估計及假設。估計及相關假設乃基於過往經驗及認為屬相關之其他因素作出。實際結果可能有別於該等估計。

估計及相關假設會持續檢討。倘若會計估計修訂只影響修訂估計之期間，則有關修訂會在該期間確認；倘若有關修訂既影響當期，亦影響未來期間，則有關修訂會在修訂期間及未來期間確認。

應用會計政策的重要判斷

以下乃本公司董事於應用本集團會計政策過程中所作對綜合財務報表確認之數額構成最重大影響之重要判斷，惟涉及估計者除外(見下文)。

所得稅

本集團須繳納不同司法權區的所得稅。釐定稅項撥備的金額及支付相關稅項的時間須作出重大判斷。當最終稅項結果不同於最初記錄的金額時，有關差額將對作出該等釐定期間的所得稅及遞延稅項撥備產生影響。

本集團在中國須繳付土地增值稅(「土地增值稅」)。然而，中國城市不同稅收管轄區對土地增值稅的執行及結算不盡相同，而本集團尚未與中國任何地方稅務局落實其若干土地增值稅的計算及付款方法。因此，須作出重大判斷以釐定土地增值額及其相關土地增值稅。本集團根據管理層按其對稅務規則的理解作出的最佳估計，即按土地增值額確認土地增值稅。土地增值金額參考物業銷售減預計可扣稅開支之預計所得款項而釐定，有關可扣稅開支包括土地使用權成本以及所有物業開發開支。

年內，本集團產生土地增值稅人民幣694,855,000元(二零一五年：人民幣50,400,000元)，作為所得稅開支自綜合損益表中扣除。本公司董事認為，自綜合損益表中扣除的該筆款額充分，因為此乃根據符合土地增值稅現有規則及詮釋的方法計算。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Critical judgements in applying accounting policies (Cont'd)

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have determined that certain of the Group's investment properties as at 31 December 2016 amounting to RMB12,181,246,000 (2015: RMB11,919,159,000) situated in the PRC are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. The presumption that the carrying amounts of certain of the Group's investment properties situated in the PRC are recovered entirely through sale has been rebutted and the deferred tax on the changes in fair value of these investment properties is recognised according to the relevant tax rules. For remaining investment properties amounting to RMB45,771,000 (2015: RMB54,293,000), the presumption that the carrying amounts of these investment properties measured using fair value model were recovered entirely through sales was not rebutted. As a result, the Group has recognised additional deferred tax in respect of the LAT as the property holding companies in the PRC are subject to LAT and enterprise income tax ("EIT") in the PRC upon disposal of the properties.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may 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.

Income tax

As at 31 December 2016, a deferred tax asset of RMB23,165,000 (2015: RMB78,403,000) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised in respect of tax losses of RMB474,450,000 (2015: RMB104,384,000) as it is not probable that taxable profit will be available due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, additional recognition of deferred tax assets may arise, which would be recognised in the consolidated statement of profit or loss for the period in which it takes place.

4. 重要會計判斷及主要估計不確定性來源(續)

應用會計政策的重要判斷(續)

投資物業遞延稅項

就計量由使用公允價值模型計量的投資物業所產生的遞延稅項負債或遞延稅項資產而言，本公司董事決定本集團於二零一六年十二月三十一日金額為人民幣12,181,246,000元(二零一五年：人民幣11,919,159,000元)的若干位於中國的投資物業乃根據旨在假以時日而非透過出售消耗投資物業所包含的絕大部分經濟利益的業務模式持有。本集團若干位於中國的投資物業賬面值可因出售而完全收回的假設已被駁回，而就該等投資物業的公允價值變動而產生的遞延稅項乃根據相關稅項規定確認。餘下投資物業為人民幣45,771,000元(二零一五年：人民幣54,293,000元)，就該等投資物業而言，該等使用公允價值模式計量的投資物業賬面值可透過銷售全面收回的推定未被駁回。因此，本集團就該等投資物業土地增值稅確認額外遞延稅項，因其在中國的地產控股公司於中國出售物業需繳交土地增值稅及企業所得稅(「企業所得稅」)。

主要估計不確定性來源

以下論述有關導致資產及負債的賬面值於下個財政年度出現重大調整的重大風險的未來相關重要假設及估計不確定因素的其他主要來源。

所得稅

於二零一六年十二月三十一日，有關未動用稅項虧損之遞延稅項資產人民幣23,165,000元(二零一五年：人民幣78,403,000元)已於本集團綜合財務狀況報表中確認。由於未來盈利來源的不可預測性，將不太可能取得應課稅盈利，因此並無就稅項虧損人民幣474,450,000元(二零一五年：人民幣104,384,000元)確認遞延稅項資產。遞延稅項資產的變現能力主要取決於未來是否有足夠的未來盈利或應課稅臨時差額。如所產生的實際未來盈利高於預期，可能產生遞延稅項資產的額外確認，並於產生該項確認的期間於綜合損益表內確認。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Valuation of investment properties

Investment properties with the aggregate carrying amount as at 31 December 2016 of RMB12,227,017,000 (2015: RMB11,973,452,000) are stated at fair value based on the valuation performed by independent professional valuers. The fair value of the investment properties was determined by reference to valuations conducted on these properties by an independent firm of property valuers using property valuation techniques which involve certain assumptions may result in changes in the fair value of the Group's investment properties and corresponding adjustments to the changes in fair value reported in the consolidated statement of profit or loss and the carrying amount of these properties included in the consolidated statement of financial position.

Information about valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties are disclosed in note 13.

Assessment of net realisable value of properties held for sale and properties under development for sale

The directors of the Company determine the net realisable value of completed properties held for sale with carrying amount of RMB1,556,050,000 (2015: RMB3,293,741,000) by using prevailing market data such as most recent sale transactions and market survey reports available from independent qualified professional valuers, and internal estimates of costs based on quotes by suppliers.

The assessment of directors of the Company on net realisable value of properties under development for sale with carrying amount of RMB3,977,425,000 (2015: RMB2,109,719,000) requires the estimates of future cash flows to be derived from these properties. These estimates requires judgement as to the anticipated sale prices by reference to recent sales transactions in nearby locations, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions.

The Group has recognised an impairment loss amounting to RMB20,506,000 for the year ended 31 December 2016 (2015: nil), which was included in cost of sales. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, a further loss will be recognised on the properties held for sale and properties held under development.

4. 重要會計判斷及主要估計不確定性來源(續)

主要估計不確定性來源(續)

投資物業估值

於二零一六年十二月三十一日，總賬面值為人民幣12,227,017,000元(二零一五年：人民幣11,973,452,000元)的投資物業乃基於獨立專業估值師行的估值按公允價值列賬。投資物業之公允價值乃參考獨立物業估值公司採用物業估值法(涉及若干假設)對該等物業進行之估值而釐定。該等假設可能導致本集團投資物業的公允價值出現變動，並對綜合損益表所呈報之公允價值變動以及綜合財務狀況報表所列之該等物業之賬面值作出相應調整。

有關釐定投資物業公允價值所採用的估值技術、輸入數據及主要假設資料披露於附註13。

待售物業及發展中待售物業的可變現淨額評估

本公司董事採用最新銷售交易及獨立合資格專業估值師行提供的市場調查報告等現行市場數據，以及由內部以供應商所報成本編製估算而釐定待出售的建成物業的可變現淨額賬面值為人民幣1,556,050,000元(二零一五年：人民幣3,293,741,000元)。

本公司董事對發展中物業的可變現淨額賬面值為人民幣3,977,425,000元(二零一五年：人民幣2,109,719,000元)的評估須按有關物業未來的現金流量估計。有關估算須根據附近地點的近期銷售交易、推廣費用(包括促銷的價格折扣)及有關預計完成物業的費用、法律和監管架構及一般市況，從而判斷出預期的銷售價格。

截至二零一六年十二月三十一日止年度，本集團已確認減值虧損人民幣20,506,000元(二零一五年：無)，有關金額已計入銷售成本。倘中國房地產市場情況的任何變動使預期銷售價格下跌，將於待售物業及持作發展物業確認進一步虧損。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the income from property development, property leasing and provision of comprehensive services, net of business tax and other sales related taxes and after deduction of any trade discounts.

In identifying its operating segments, the executive directors of the Company, being the chief operating decision makers, generally follow the Group's service lines, which represent the main products and services provided by the Group. The Group has identified the following reportable segments:

- Property development and sales: sales of properties
- Commercial property investment and operations: lease of commercial properties, office premises and car parks
- Comprehensive services: hotel operation, property management service and others

Each of these operating segments is managed separately as each of these products and service lines requires different resources as well as marketing approaches.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segment:

For the year ended 31 December 2016

		Property development and sales 物業開發 及銷售 RMB'000 人民幣千元	Commercial property investment and operations 商業物業 投資與經營 RMB'000 人民幣千元	Comprehensive services 綜合服務 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Revenue:	收益：				
From external customers	來自外部客戶	3,956,426	430,205	203,531	4,590,162
Inter-segment revenue	分類間收益	–	9,483	10,013	19,496
Total segment revenue	分類收益總額	3,956,426	439,688	213,544	4,609,658
Reportable segment profit	可呈報分類盈利	1,859,142	366,566	70,245	2,295,953

5. 收益及分類資料

收入為來自物業發展、物業租賃及提供綜合服務的收入，並扣除營業稅及其他銷售有關稅項以及任何交易折扣。

本公司執行董事(即主要營運決策人)通常根據本集團的服務(即本集團提供的主要產品及服務)確定經營分類。本集團已確定下列呈報分類：

- 物業發展及銷售：物業銷售
- 商業物業投資與經營：商業物業、辦公室及停車場租賃
- 綜合服務：酒店營運、物業管理服務及其他

由於該等產品及服務系列各自需要不同的資源及營銷方式，故該等經營分類獲單獨管理。

分類收益及業績

以下為本集團按經營及可呈報分類的收益及業績的分析：

截至二零一六年十二月三十一日止年度

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Segment revenues and results (Cont'd)

For the year ended 31 December 2015

		Property development and sales 物業開發 及銷售 RMB'000 人民幣千元	Commercial property investment and operations 商業物業 投資與經營 RMB'000 人民幣千元	Comprehensive services 綜合服務 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Revenue:	收益：				
From external customers	來自外部客戶	575,881	412,637	221,752	1,210,270
Inter-segment revenue	分類間收益	-	9,508	-	9,508
Total segment revenue	分類收益總額	575,881	422,145	221,752	1,219,778
Reportable segment profit	可呈報分類盈利	181,123	352,184	102,076	635,383

Inter-segment sales are at mutually agreed terms.

分類間銷售按共同協定之條款進行。

Reconciliations of reportable segment revenue, profit or loss

可報告分類收益、損益之對賬

The Group does not allocate fair value changes on investment properties, other income, other gains and losses, depreciation and amortisation, finance costs, share of results of joint ventures, fair value changes on derivative financial instruments and corporate expenses to individual reportable segment profit or loss for the purposes of resource allocation and performance assessment by the chief operating decision makers.

本集團並無就主要營運決策者對資源分配及表現評估而將投資物業公允價值變動、其他收入、其他收益及虧損、折舊及攤銷、融資成本、應佔合營公司業績、衍生金融工具的公允價值變動及企業開支分配至獨立可呈報分部之損益內。

The accounting policies adopted in preparing the reportable segment information are the same as the Group's accounting policies described in note 3.

編製可呈報分部資料所採納之會計政策與本集團附註3所述會計政策相同。

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Revenue	收益		
Reportable segment revenue	可呈報分類收益	4,609,658	1,219,778
Elimination of inter-segment revenue	對銷分類間收益	(19,496)	(9,508)
Consolidated revenue	綜合收益	4,590,162	1,210,270
Profit	盈利		
Reportable segment profit	可呈報分類盈利	2,295,953	635,383
Fair value changes on investment properties	投資物業的公允價值變動	247,498	426,816
Other income, other gains and losses	其他收入、其他收益及虧損	108,448	87,336
Depreciation and amortisation	折舊及攤銷	(39,934)	(52,687)
Finance costs	融資成本	(406,500)	(262,868)
Share of results of joint ventures	應佔合營公司業績	(9)	(30)
Fair value changes on derivative financial instruments	衍生金融工具的公允價值變動	15,022	-
Corporate expenses	公司開支	(367,055)	(242,873)
Consolidated profit before taxation	除稅前綜合盈利	1,853,423	591,077

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

5. REVENUE AND SEGMENT INFORMATION (Cont'd)

Segment assets and liabilities

The following is an analysis of the Group's assets by reportable and operating segment, no liabilities are presented as the information is not reportable to the chief operating decision makers in the resource allocation and assessment of performance:

Segment assets

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Assets	資產		
Property development and sales	物業發展及銷售	5,758,178	5,615,955
Commercial property investment and operations	商業物業投資與經營	12,227,872	11,973,614
Comprehensive services	綜合服務	373,570	240,996
Reportable segment assets	可報告分類資產	18,359,620	17,830,565
Goodwill	商譽	231,602	231,602
Available-for-sale investments and other current assets	可供出售投資及其他流動資產	761,048	423,267
Bank balances and cash (including restricted cash)	銀行結餘及現金(包括受限制現金)	4,531,236	2,768,003
Deferred tax assets	遞延稅項資產	190,151	199,785
Interests in joint ventures	於合營公司的權益	528,384	525,393
Corporate assets	公司資產	1,322,477	2,013,312
Consolidated total assets	綜合總資產	25,924,518	23,991,927

For the purpose of monitoring segment performance and allocating resources between segments, all assets are allocated to operating segments other than goodwill, available-for-sale investments and other current assets, bank balances and cash (including restricted cash), deferred tax assets, interests in joint ventures and corporate assets.

Geographical information

No geographical information is presented as the operations, major customers and assets of the Group are substantially located in the PRC.

No major customers contributed over 10% of the total sales of the Group for the years ended 31 December 2016 and 2015.

5. 收益及分類資料(續)

分類資產及負債

以下為本集團按可報告及經營分類的資產分析，由於毋須就資源分配及評估業績向主要營運決策者呈報負債，因此並無呈列該等資料：

分類資產

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Assets	資產		
Property development and sales	物業發展及銷售	5,758,178	5,615,955
Commercial property investment and operations	商業物業投資與經營	12,227,872	11,973,614
Comprehensive services	綜合服務	373,570	240,996
Reportable segment assets	可報告分類資產	18,359,620	17,830,565
Goodwill	商譽	231,602	231,602
Available-for-sale investments and other current assets	可供出售投資及其他流動資產	761,048	423,267
Bank balances and cash (including restricted cash)	銀行結餘及現金(包括受限制現金)	4,531,236	2,768,003
Deferred tax assets	遞延稅項資產	190,151	199,785
Interests in joint ventures	於合營公司的權益	528,384	525,393
Corporate assets	公司資產	1,322,477	2,013,312
Consolidated total assets	綜合總資產	25,924,518	23,991,927

為監測分類業績及分類間的資源分配，除商譽、可供出售投資及其他流動資產、銀行結餘及現金(包括受限制現金)、遞延稅項資產、於合營公司的權益及公司資產外，所有資產分配至經營分類。

地區資料

由於本集團的業務、主要客戶及資產大多位於中國，故並無呈列地區資料。

截至二零一六年及二零一五年十二月三十一日止年度並無主要客戶佔本集團總銷售額超出10%。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

6. OTHER INCOME, OTHER GAINS AND LOSSES

6. 其他收入、其他收益及虧損

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Interest income	利息收入	30,663	23,243
Investment income	投資收入	1,434	12,511
Dividend income	股息收入	-	5,040
Gain on disposal of a subsidiary (note 35(a))	出售一間附屬公司的收益(附註35(a))	18,340	-
Gain (loss) on disposal of property, plant and equipment	出售物業、廠房及設備的收益(虧損)	1,554	(86)
Gain on disposal of investment properties	出售投資物業的收益	4,968	46,230
Foreign exchange (loss) gain, net	匯兌(虧損)收益淨額	(7,859)	3,347
Recovery of other receivables written-off in prior years	於過往年度撥回 其他應收款項撇銷	49,561	8,363
Write-down on other receivables	撇減其他應收款項	-	(19,627)
Others	其他	9,787	8,315
		108,448	87,336

7. FINANCE COSTS

7. 融資成本

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Interest on bank and other borrowings	銀行及其他借貸利息	610,819	603,421
Interest expense on convertible bonds	可換股債券之利息開支	13,258	-
Less: Amount capitalised in investment properties under development and properties under development for sale *	減：撥充在建投資物業及發展中待售物業資本化的金額*	(217,577)	(340,553)
		406,500	262,868

* The finance costs have been capitalised at rates ranging from 4.16% to 8.95% (2015: 5.29% to 8.46%) per annum.

* 融資成本乃按年息率4.16%至8.95% (二零一五年：5.29%至8.46%)資本化。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

8. PROFIT BEFORE TAX

8. 除稅前盈利

		2016	2015
		二零一六年	二零一五年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Profit before tax is arrived at after charging (crediting):	除稅前盈利乃經扣除(計入):		
Cost of properties sold	售出物業的成本	2,076,778	394,758
Impairment loss on properties held for sale	待售物業的減值虧損	20,506	–
Cost of properties held for sale recognised as expense	確認為開支的待售物業成本	2,097,284	394,758
Depreciation of property, plant and equipment	物業、廠房及設備折舊	39,966	52,726
Less: Amount capitalised in investment properties under development and properties under development for sale	減：撥充在建投資物業及發展中待售物業資本化的數額	(32)	(39)
		39,934	52,687
Gross rental income from investment properties	投資物業所得租金收入總額	430,205	412,637
Outgoings in respect of investment properties that generated rental income during the year	有關於本年度產生租金收入之投資物業的開支	(63,639)	(60,453)
		366,566	352,184
Operating lease charges in respect of land and buildings	有關土地及樓宇的經營租賃費用	21,237	25,857
(Reversal on) provision on impairment loss on accounts receivable	應收賬款減值虧損(撥回)撥備	(39)	59
Auditor's remuneration	核數師酬金	2,569	2,737
Staff costs	員工成本		
– Directors' emoluments (note 10)	– 董事酬金(附註10)	36,286	8,146
– Salaries and other benefits in kind	– 薪金及其他實物利益	170,218	136,709
– Equity-settled share-based payments	– 以股權結算以股份支付的款項	102,877	–
– Amount recognised as expense for retirement benefit costs	– 確認為退休福利成本開支的數額	12,548	10,161
Less: Amount capitalised in investment properties under development and properties under development for sale	減：撥充在建投資物業及發展中待售物業資本化的數額	(24,702)	(9,189)
		297,227	145,827

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

9. INCOME TAX EXPENSE

9. 所得稅開支

			2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Current tax	即期稅項			
PRC EIT	中國企業所得稅			
– Current year	– 本年度	(a)	263,048	71,759
– Underprovision in prior year	– 過往年度撥備不足		8,466	12,684
			271,514	84,443
PRC LAT	中國土地增值稅			
– Current year	– 本年度	(b)	694,855	50,400
– Overprovision in prior year	– 過往年度超額撥備		(2,860)	–
			691,995	50,400
Deferred taxation (note 18)	遞延稅項(附註18)			
– Current year	– 本年度		91,074	60,329
– Overprovision in prior year	– 過往年度超額撥備		(9,826)	(28,680)
			81,248	31,649
Total income tax expense	所得稅開支總額		1,044,757	166,492

Notes:

(a) Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

No Hong Kong Profits Tax has been provided for as the Group had no estimated assessable profits for both years.

(b) Under the Provisional Rules on LAT Implementation Rules of the PRC implemented on 27 January 1995, all gains from the sales or transfer of land use rights, buildings and their attached facilities in the PRC are subject to LAT 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 cost of land use rights and all property development expenditures.

附註：

(a) 根據中華人民共和國企業所得稅法(「企業所得稅法」)及企業所得稅法實施條例，自二零零八年一月一日起，中國附屬公司的稅率為25%。

由於本集團於兩個年度並無任何估計應課稅盈利，故此並無就香港利得稅計提撥備。

(b) 根據於一九九五年一月二十七日實施的中國土地增值稅暫行條例實施細則，所有因銷售或轉讓於中國的土地使用權、樓宇及其相關設施而獲得的收益，均須繳納土地增值稅，稅款按土地增值額(即銷售物業所得款項減可扣減支出，包括土地使用權成本及所有物業發展開支)以累進率計算，稅率介乎30%至60%不等。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

9. INCOME TAX EXPENSE (Cont'd)

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

9. 所得稅開支(續)

本年度所得稅開支可與綜合損益表的除稅前盈利對賬如下：

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Profit before tax	除稅前盈利	1,853,423	591,077
Tax at the PRC EIT at 25% (2015: 25%)	按25%中國企業所得稅稅率 (二零一五年：25%)	463,356	147,770
Tax effect of expenses not deductible for tax purposes	不可扣稅開支的稅務影響	47,625	1,173
Tax effect of income not taxable for tax purposes	毋須課稅收入的稅務影響	(22,872)	(4,424)
Tax effect of temporary difference arising from withholding tax for undistributed profits	未分派利潤預扣稅的暫時差額 所產生的稅務影響	9,762	1,707
Tax effect of tax losses not recognised	未確認稅項虧損的稅務影響	94,400	611
Utilisation of deductible temporary differences previously not recognised	動用先前未確認之可扣稅暫時差額	(58,562)	-
Utilisation of tax losses previously not recognised	動用先前未確認之稅項虧損	(1,883)	(706)
PRC LAT charge	中國土地增值稅支出	694,855	50,400
Tax effect of PRC LAT charge	中國土地增值稅支出之稅務影響	(173,714)	(12,600)
Overprovision in prior year, net	過往年度超額撥備淨值	(4,220)	(15,996)
Others	其他	(3,990)	(1,443)
Income tax expense for the year	本年度所得稅開支	1,044,757	166,492

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

10. 董事及僱員酬金

(a) Directors' emoluments

The emoluments paid or payable to each of the 9 (2015: 8) directors were as follows:

(a) 董事酬金

已付或應付9名(二零一五年: 8名)董事各自的薪酬如下:

			Fees	Salaries and allowance	Equity-settled share-based payments	Contributions to retirement benefit scheme	Total
	Notes	袍金	薪金及津貼	以股權結算以股份支付的款項	退休福利計劃供款	總計	
	附註	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	
2016							
Executive directors							
Ms. Huang Jingshu		–	2,351	2,209	108	4,668	
Mr. Yim Chun Leung	(a)	–	531	–	27	558	
Mr. Tang Shouchun	(b)	–	1,733	4,909	78	6,720	
Mr. Ye Xingan		–	1,900	4,909	48	6,857	
Mr. Chen Tieshen		–	1,750	4,909	48	6,707	
Ms. Deng Chengying		–	1,500	4,172	–	5,672	
		–	9,765	21,108	309	31,182	
Independent non-executive directors							
Mr. Zhu Jiusheng		237	–	1,473	–	1,710	
Mr. Wang Jing		211	–	1,473	–	1,684	
Ms. Hu Gin Ing		237	–	1,473	–	1,710	
		685	–	4,419	–	5,104	
		685	9,765	25,527	309	36,286	
2015							
Executive directors							
Ms. Huang Jingshu		–	2,314	–	–	2,314	
Mr. Yim Chun Leung		–	2,644	–	132	2,776	
Mr. Ye Xingan		–	1,004	–	43	1,047	
Mr. Chen Tieshen		–	759	–	37	796	
Ms. Deng Chengying		–	600	–	–	600	
		–	7,321	–	212	7,533	
Independent non-executive directors							
Mr. Zhu Jiusheng		213	–	–	–	213	
Mr. Wang Jing		187	–	–	–	187	
Ms. Hu Gin Ing		213	–	–	–	213	
		613	–	–	–	613	
		613	7,321	–	212	8,146	

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)

(a) Directors' emoluments (Cont'd)

Notes:

- (a) Acted as the Chief Executive Officer of the Company since 7 July 2014 and resigned on 31 March 2016
- (b) Appointed and acted as the Chief Executive Officer of the Company since 31 March 2016

During the year ended 31 December 2016, no remuneration was paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived or agreed to waive any emoluments for the years ended 31 December 2016 and 2015.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

(b) Employees' emoluments

The five highest paid employees of the Group during the year included three directors (2015: three directors). Details of the remuneration for the year of the remaining two (2015: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Salaries, allowance and benefits in kind	薪酬、津貼及實物福利	3,500	1,933
Equity-settled share-based payments	以股權結算以股份支付的款項	8,780	-
Retirement benefits	退休福利	-	58
		12,280	1,991

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the followings bands is as follows:

		2016 二零一六年 Number of employees 僱員數目	2015 二零一五年 Number of employees 僱員數目
Nil to RMB1,000,000	零至人民幣1,000,000元	-	1
RMB1,000,000 to RMB1,500,000	人民幣1,000,000元至人民幣1,500,000元	-	1
RMB6,000,000 to RMB6,500,000	人民幣6,000,000元至人民幣6,500,000元	2	-
		2	2

10. 董事及僱員酬金(續)

(a) 董事酬金(續)

附註：

- (a) 自二零一四年七月七日起作為本公司行政總裁，並於二零一六年三月三十一日辭任
- (b) 自二零一六年三月三十一日起獲委任並作為本公司行政總裁

截至二零一六年十二月三十一日止年度，本集團並無向董事或五名最高薪僱員中的任何一名支付薪酬作為吸引彼等加入或加入時的誘因或作為彼等失去職位的補償。截至二零一六年及二零一五年十二月三十一日止年度，概無董事放棄或同意放棄任何酬金。

上表所列執行董事的酬金主要為彼等就本公司及本集團管理事宜提供服務的報酬。上表所列獨立非執行董事的酬金乃主要為彼等擔任本公司董事所提供之服務的報酬。

(b) 僱員酬金

於年內，本集團五位最高薪酬僱員當中，包括三名董事(二零一五年：三名)。年內餘下兩名(二零一五年：兩名)並非本公司董事亦非主要行政人員之最高薪酬僱員之薪酬如下：

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

11. DIVIDENDS

11. 股息

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Dividends recognised as distribution during the year:	年內確認為分派之股息：		
2015 Final dividend- HK1 cent (equivalent to approximately RMB0.8 cents)	二零一五年末期股息— 1港仙 (相當於約人民幣0.8分)	40,116	—
Others (Note)	其他(附註)	—	599,055
		40,116	599,055

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2016 of HK5 cents (equivalent to approximately RMB4.5 cents) (2015: HK1 cent) per ordinary share of the Company has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

報告期末後，本公司董事建議派發截至二零一六年十二月三十一日止年度末期股息每股本公司普通股5港仙(相當於約人民幣4.5分)(二零一五年：1港仙)，惟須待股東於應屆股東大會上批准。

Note: During the year ended 31 December 2015, certain subsidiaries of the Target Group (defined in note 32(iii)) declared and made dividends of RMB582,695,000 (note 35(b)) and RMB16,360,000 to Mr. Wong and a non-controlling shareholder of a subsidiary, respectively.

附註：截至二零一五年十二月三十一日止年度，目標集團(定義見附註32(iii))若干附屬公司分別向黃先生及一間附屬公司的非控股股東宣派及作出股息人民幣582,695,000元(附註35(b))及人民幣16,360,000元。

12. EARNINGS PER SHARE

12. 每股盈利

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

本公司擁有人應佔每股基本及攤薄盈利乃基於以下數據計算：

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Earnings	盈利		
Earnings for the purposes of basic earnings per share	用於計算每股基本盈利的盈利	802,297	417,780
Effect of dilutive potential earnings in respect of – Convertible bonds	潛在攤薄盈利對以下各項的影響 — 可換股債券	(3,013)	—
Earnings for the purposes of diluted earnings	用於計算攤薄盈利的盈利	799,284	417,780

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

12. EARNINGS PER SHARE (Cont'd)

12. 每股盈利(續)

		2016 二零一六年	2015 二零一五年
Number of shares	股份數目		
Weighted average number of ordinary shares of the Company for the purpose of basic earnings per share	用於計算每股基本盈利的本公司普通股加權平均數	4,693,582,792	3,961,527,997
Effect of dilutive potential ordinary shares in respect of	潛在攤薄普通股對以下各項的影響		
– Share options	– 購股權	7,142,669	–
– Convertible bonds	– 可換股債券	33,893,190	–
– Convertible preference shares	– 可換股優先股	3,413,473,023	3,413,473,023
Weighted average number of ordinary shares of the Company for the purpose of diluted earnings per share	就計算每股攤薄盈利的本公司普通股加權平均數	8,148,091,674	7,375,001,020

13. INVESTMENT PROPERTIES

13. 投資物業

		Completed investment properties 已完成投資物業 RMB'000 人民幣千元	Investment properties under development at fair value 按公允價值入賬之發展中投資物業 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
At 1 January 2015	於二零一五年一月一日	9,165,666	2,218,750	11,384,416
Additions	添置	–	78,503	78,503
Acquisition of subsidiaries (note 34(b))	收購附屬公司(附註34(b))	227,890	–	227,890
Disposals	出售	(144,173)	–	(144,173)
Transfer upon completion	完成時轉讓	1,431,646	(1,431,646)	–
Increase in fair value recognised in profit or loss	於損益中確認之公允價值增加	395,388	31,428	426,816
At 31 December 2015	於二零一五年十二月三十一日	11,076,417	897,035	11,973,452
Additions	添置	–	26,270	26,270
Disposals	出售	(20,203)	–	(20,203)
Increase in fair value recognised in profit or loss	於損益中確認之公允價值增加	218,039	29,459	247,498
At 31 December 2016	於二零一六年十二月三十一日	11,274,253	952,764	12,227,017

All the completed investment properties are rented out under operating leases or are held for capital appreciation purposes.

所有已完成投資物業均已根據經營租賃出租或為資本增值目的而持有。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

13. INVESTMENT PROPERTIES (Cont'd)

The fair values of the Group's investment properties with aggregate carrying value of RMB12,227,017,000 which represents the whole amounts of investment properties as at 31 December 2016 (2015: RMB11,973,452,000) were arrived at on the basis of valuations carried out on those dates by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, which were independent qualified professional valuers not connected to the Group.

For completed investment properties, the valuations have been arrived at using income capitalisation approach, where the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuer for the similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties.

For investment properties under development that are measured at fair value, the valuations have been arrived at market – based approach assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. The key inputs in the valuations include the market value of the completed investment properties, which are estimated with reference to sales evidence of similar properties in the nearest locality, with adjustments made to account for differences in locations and other factors specific to the respective properties based on the valuers' judgement. Costs of development are also taken into account including construction costs, finance costs and professional fees, as well as developer's profit margin which reflects the remaining risks associated with the development of the properties at the valuation date and the return that the developer would require for bringing them to completion status, which is determined by the valuers based on its analyses of recent land transactions and market value of similar completed properties in the respective locations.

In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use.

13. 投資物業(續)

於二零一六年十二月三十一日，本集團賬面總值(指投資物業之全部款項)為人民幣12,227,017,000元(二零一五年：人民幣11,973,452,000元)之投資物業之公允價值乃根據仲量聯行企業評估及諮詢有限公司於該日所進行的估值達致，該公司為與本集團並無關連之獨立合資格專業估值師。

就已完成投資物業而言，該估值乃採用收入資本計算法進行。物業內所有可出租單位的市值租金乃參照可出租單位以及毗鄰相似物業的其他出租單位已取得的租金進行評估。採用之資本化比率乃參照當地相似物業的收益率並根據估值師所知各物業的特質進行調整。

就按公允價值計量之發展中投資物業而言，估值乃基於市場法假設該等投資物業將根據發展規劃及已取得的相關規劃的批覆完工。估值的主要輸入數據包括已完成投資物業的市值，乃參考鄰近地域相似物業的銷售憑證估計，同時，根據估值師判斷的不同地段的差異以及各物業的其他不同特質進行調整。該估值也將開發成本納入考慮，包括建設成本、融資成本和專業費用及開發商的利潤率(於估值日反映物業開發的剩餘風險和開發商使物業達致完成狀況所需的回報)，發展成本乃根據估值師對近期土地交易和不同區域類似已完成物業市場價值的分析而釐定。

估計投資物業的公允價值時，投資物業之目前用途為最高及最佳用途。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

13. INVESTMENT PROPERTIES (Cont'd)

The major inputs used in the fair value measurement of the Group's major investment properties as at 31 December 2016 and 2015 are set out below:

13. 投資物業(續)

於二零一六年及二零一五年十二月三十一日，本集團主要投資物業之公允價值計量所用之主要輸入數據載於下文：

Investment properties held by the Group in the consolidated statement of financial position 本集團於綜合財務狀況報表持有的投資物業	Fair value hierarchy 公允價值等級	Valuation technique and key inputs 估值技術及主要輸入數據	Significant unobservable inputs 主要不可觀察輸入數據	Relationship of unobservable inputs to fair value 不可觀察輸入數據與公允價值之關係	Sensitivity 敏感度
Completed investment properties					
已完成投資物業					
Completed investment properties located in Shenzhen with an aggregate carrying amount of RMB11,038,615,000 (31.12.2015: RMB10,842,632,000)	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Daily market rent.	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of a range from 3% to 5.5% (31.12.2015: from 3% to 5.5%).	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
位於深圳市的已完成投資物業，賬面總值為人民幣11,038,615,000元(二零一五年十二月三十一日：人民幣10,842,632,000元)	第三級	收入資本計算法 主要輸入數據如下： (1) 資本化比率；及 (2) 市場日租。	經計及資本化租金收入潛力、物業性質及當前市場，資本化比率為介乎3%至5.5%(二零一五年十二月三十一日：3%至5.5%)。	資本化比率越高，公允價值越低。	所用資本化比率小幅提升將導致公允價值大幅降低，反之亦然。
			Daily market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average of a range from RMB0.3 to RMB21.3 (31.12.2015: from RMB0.7 to RMB20.2) per square metre ("sqm") per day on gross floor area basis.	The higher the daily market rent, the higher the fair value.	A significant increase in the daily market rent used would result in a significant increase in fair value, and vice versa.
			市場日租經計及可資比較物業與物業間之時間、位置及臨街地界和規模等各項因素，以建築面積為基準每日每平方米(「平方米」)平均介乎人民幣0.3元至人民幣21.3元(二零一五年十二月三十一日：人民幣0.7元至人民幣20.2元)。	市場日租越高，公允價值越高。	所用市場日租大幅增加將導致公允價值大幅增加，反之亦然。
Completed investment properties located in Suzhou with an aggregate carrying amount of RMB235,638,000 (31.12.2015: RMB233,785,000)	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Daily market rent.	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of a range from 1.5% to 6.5% (31.12.2015: from 1.5% to 6.5%).	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
位於蘇州之已完成投資物業，賬面總值為人民幣235,638,000元(二零一五年十二月三十一日：人民幣233,785,000元)	第三級	收入資本計算法 主要輸入數據如下： (1) 資本化比率；及 (2) 市場日租	經計及資本化租金收入潛力、物業性質及當前市場，資本化比率介乎1.5%至6.5%(二零一五年十二月三十一日：1.5%至6.5%)。	資本化比率越高，公允價值越低。	所用資本化比率小幅提升將導致公允價值大幅降低，反之亦然。
			Daily market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average of a range from RMB1.1 to RMB8.3 (31.12.2015: RMB1.1 to RMB8.3) per sqm per day on gross floor area basis.	The higher the daily market rent, the higher the fair value.	A significant increase in the daily market rent used would result in a significant increase in fair value, and vice versa.
			市場日租經計及可資比較物業與物業間之時間、位置及臨街地界和規模等各項因素，以建築面積為基準每日每平方米平均介乎人民幣1.1元至人民幣8.3元(二零一五年十二月三十一日：人民幣1.1元至人民幣8.3元)。	市場日租越高，公允價值越高	所用市場日租大幅增加將導致公允價值大幅增加，反之亦然。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

13. INVESTMENT PROPERTIES (Cont'd)

13. 投資物業(續)

Investment properties held by the Group in the consolidated statement of financial position 本集團於綜合財務狀況報表持有的投資物業	Fair value hierarchy 公允價值等級	Valuation technique and key inputs 估值技術及主要輸入數據	Significant unobservable inputs 主要不可觀察輸入數據	Relationship of unobservable inputs to fair value 不可觀察輸入數據與公允價值之關係	Sensitivity 敏感度
Investment properties under development that are measured at fair value 按公允價值計值之發展中投資物業					
Investment properties under development located in Shenzhen with an aggregate carrying amount of RMB952,764,000 (31.12.2015: RMB897,035,000)	Level 3	Market-based Approach The key inputs are: (1) Gross development value; and (2) Developer's profit.	Gross development value on completion basis, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB957,473,000 (31.12.2015: RMB938,773,000).	The higher the gross development value, the higher the fair value.	A significant increase in gross development value used would result in a significant increase in fair value, and vice versa.
位於深圳市的發展中投資物業，賬面總值為人民幣952,764,000元(二零一五年十二月三十一日：人民幣897,035,000元)	第三級	市場基準法 主要輸入數據如下： (1) 總開發價值；及 (2) 開發商利潤。	按落成基準計值之總開發價值經計及可資比較物業與該物業間之時間、位置及臨街地界和規模等各項因素為人民幣957,473,000元(二零一五年十二月三十一日：人民幣938,773,000元)。	總開發價值越高，公允價值越高。	所用總開發價值大幅增加將導致公允價值大幅增加，反之亦然。
			Developer's profit, taking into account the comparable land transactions and progress of the property, of a 10% (31.12.2015:10%).	The higher the developer's profit, the lower the fair value.	A significant increase in developer's profit used would result in a significant decrease in fair value, and vice versa.
			經計及可資比較土地交易及物業進度，開發商利潤為10%(二零一五年十二月三十一日：10%)。	開發商利潤越高，公允價值越低。	發展商利潤大幅增加導致公允價值大幅減少，反之亦然。

There were no transfers in or out of Level 3 during both years.

於兩個年度內，第三級並無轉入或轉出。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

14. PROPERTY, PLANT AND EQUIPMENT

14. 物業、廠房及設備

		Leasehold land and buildings 租賃土地 及樓宇 RMB'000 人民幣千元	Leasehold improvements 租賃物業 裝修 RMB'000 人民幣千元	Motor vehicles 汽車 RMB'000 人民幣千元	Machinery and electronic equipment and others 機器及電子 設備及其他 RMB'000 人民幣千元	Computer software, furniture and fixtures 傢私及裝置 RMB'000 人民幣千元	Construction in progress 在建工程 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
COST								
At 1 January 2015	於二零一五年一月一日	449,027	52,887	11,285	33,325	20,287	–	566,811
Exchange adjustment	匯兌調整	–	46	3	35	11	–	95
Additions	添置	996	622	4,969	2,203	1,896	1,158	11,844
Disposals	出售	–	(287)	(192)	(630)	(681)	–	(1,790)
Derecognised on disposal of subsidiaries (note 36(b))	終止確認出售附屬公司 (附註36(b))	(13,578)	(25,558)	(788)	(9,976)	(3,772)	–	(53,672)
At 31 December 2015	於二零一五年 十二月三十一日	436,445	27,710	15,277	24,957	17,741	1,158	523,288
Exchange adjustment	匯兌調整	–	–	–	(4)	–	–	(4)
Additions	添置	2,466	5,999	4,523	2,833	2,223	2,326	20,370
Disposals/transfer	出售/轉出	(39,237)	(478)	–	(434)	(173)	–	(40,322)
At 31 December 2016	於二零一六年 十二月三十一日	399,674	33,231	19,800	27,352	19,791	3,484	503,332
DEPRECIATION AND AMORTISATION								
At 1 January 2015	於二零一五年一月一日	108,607	19,062	3,963	21,138	10,732	–	163,502
Exchange adjustment	匯兌調整	–	19	3	7	1	–	30
Provided for the year	年度撥備	31,125	11,635	2,715	4,411	2,840	–	52,726
Eliminated on disposals/ written off	出售/撇銷之對銷	–	(287)	(192)	(461)	(678)	–	(1,618)
Eliminated on disposal of subsidiaries	出售附屬公司之對銷	(3,253)	(11,740)	(623)	(7,704)	(1,454)	–	(24,774)
At 31 December 2015	於二零一五年 十二月三十一日	136,479	18,689	5,866	17,391	11,441	–	189,866
Exchange adjustment	匯兌調整	–	–	–	(4)	–	–	(4)
Provided for the year	年度撥備	26,328	2,734	3,824	4,918	2,162	–	39,966
Eliminated on disposals/ written off/transfer	出售/撇銷之對銷/ 轉出	(20,106)	(182)	–	(358)	(38)	–	(20,684)
At 31 December 2016	於二零一六年 十二月三十一日	142,701	21,241	9,690	21,947	13,565	–	209,144
CARRYING VALUES								
At 31 December 2016	賬面值 於二零一六年 十二月三十一日	256,973	11,990	10,110	5,405	6,226	3,484	294,188
At 31 December 2015	於二零一五年 十二月三十一日	299,966	9,021	9,411	7,566	6,300	1,158	333,422

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The carrying amounts of owner-occupied leasehold land and buildings at the end of the reporting period included both the leasehold land and building elements in property, plant and equipment, as in the opinion of the directors of the Company, allocations of the carrying amounts between the leasehold land and buildings elements cannot be made reliably.

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the lease, or 2% to 5%
Leasehold improvements	10% to 33 $\frac{1}{3}$ %
Motor vehicles	20% to 25%
Machinery and electronic equipment and others	10% to 33 $\frac{1}{3}$ %
Computer software, furniture and fixtures	20% to 33 $\frac{1}{3}$ %

15. GOODWILL

The amount represents goodwill arising from the Acquisition (defined in note 32), which has been allocated to the group of cash generating units ("CGU").

The recoverable amount of the goodwill has been determined based on a value in use calculation. That calculation used cash flow projections based on financial budgets approved by management covering five-year period, and the discount rate of 10% (2015:10%). The cash flows beyond the five-year period are extrapolated using a zero growth rate. The directors of the Company determined that the recoverable amount was higher than the carrying amount of the CGU and hence no impairment on goodwill is required.

14. 物業、廠房及設備(續)

由於本公司董事認為無法準確作出租賃土地與樓宇部分的分配，報告期末的業主自用租賃土地及樓宇計入物業、廠房及設備的租賃土地及樓宇中。

上文所述之物業、機器及設備項目(在建工程除外)乃以直線法按以下年率折舊:

租賃土地及樓宇	租賃期或2%至5% (以較短者為準)
租賃物業裝修	10%至33 $\frac{1}{3}$ %
汽車	20%至25%
機器及電子設備及其他	10%至33 $\frac{1}{3}$ %
計算機軟件、傢私及裝置	20%至33 $\frac{1}{3}$ %

15. 商譽

2016	2015
二零一六年	二零一五年
RMB'000	RMB'000
人民幣千元	人民幣千元

At 31 December	於十二月三十一日	231,602	231,602
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款項指收購事項(定義見附註32)產生之商譽(已分配至現金產生單位組別(「現金產生單位」))。

商譽之可收回金額乃根據使用價值進行計算而釐定。基於管理層所批准涵蓋5年期間之財政預算，使用10%(二零一五年:10%)之貼現率以現金流預測法進行計算。超過5年的現金流則使用零增長率推算。本公司董事釐定可回收金額高於現金產生單位之賬面值，故無須商譽減值。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

16. INTERESTS IN JOINT VENTURES

16. 於合營公司的權益

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Cost of investment in joint ventures	於合營公司之投資成本	320	320
Share of net assets	應佔資產淨值	6,161	6,170
Amount due from a joint venture	應收一間合營公司款項	521,903	518,903
		528,384	525,393

Notes:

附註：

(a) Particulars of joint ventures as at 31 December 2016 and 2015 are as follows:

(a) 於二零一六年及二零一五年十二月三十一日合營公司的詳情如下：

Company name 公司名稱	Form of business nature 業務性質	Place of establishment and operation 成立及營運地點	Paid-up capital 繳足股本 RMB'000 人民幣千元	Proportion of voting right and percentage of interest held 投票權及所持權益百分比之比例	Principal activity 主要業務
Shenzhen Anyuan Industrial Development Co., Ltd. ("Anyuan") 深圳市安元實業發展有限公司(「安元」)	Incorporated 註冊成立	The PRC 中國	23,800	40% (2015: 40%) (二零一五年：40%)	Property development 物業發展
Yiyang Zhonghe Property Management Co., Ltd. 益陽中核物業有限公司	Incorporated 註冊成立	The PRC 中國	500	40% (2015: 40%) (二零一五年：40%)	Property development 物業發展

(b) Amount due from a joint venture represents advances to a joint venture which is unsecured, interest-free and has no fixed repayment terms. In an opinion of the directors of the Company, the settlement of the advances are neither planned nor likely to occur in the foreseeable future.

(b) 應收一間合營公司款項為支付予合營公司的預付款，該款項無抵押、免息，且無固定償還期限。本公司董事認為，該預付款結算並非按計劃進行，且可見將來不大可能會發生。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

16. INTERESTS IN JOINT VENTURES (Cont'd)

Notes: (Cont'd)

- (c) Yiyang Zhonghe Property Management Co., Ltd. is not considered material as compared to the Group's operating results during the year. Summarised financial information of Anyuan after adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Non-current assets	非流動資產	30	31
Current assets	流動資產	550,105	547,116
Current liabilities	流動負債	(534,731)	(531,721)
Included in the above amounts are:	計入上述款項：		
Cash and cash equivalents	現金及現金等價物	90,515	90,669
Revenue	收益	-	-
Loss and total comprehensive expense for the year	年度虧損及其他全面開支	22	74

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

16. 於合營公司的權益(續)

附註:(續)

- (c) 益陽中核物業有限公司被認為相對本集團年內的營運業績並不重大。下文披露安元已就會計政策的任何差異而調整的財務資料概要，以及與綜合財務報表賬面值所對銷：

以上財務資料概要與已於綜合財務報表確認之合營公司權益賬面值之對賬：

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Net assets of Anyuan	安元資產淨值	15,404	15,426
Proportion of the Group's ownership interest in Anyuan	本集團於安元擁有之權益比例	40%	40%
Carrying amount of the Group's interest in Anyuan	本集團於安元之權益賬面值	6,161	6,170

17. AVAILABLE-FOR-SALE INVESTMENTS

The investments represents 0.40% (2015: 0.45%) shareholding in a public listed equity securities in the PRC where the Group does not have control, joint control or significant influence regarding the relevant activities of the investments. In 2015, they were measured at cost less impairment at the end of the reporting period because the directors of the Company believed that the range of reasonable fair value estimates was so wide that the fair values could not be measured reliably. In 2016, as the equity securities became listed, reliable measure of the fair value became available, the investment was therefore stated at fair value at the end of the reporting period.

17. 可供出售投資

該等投資佔於中國公開上市股權證券之0.40% (二零一五年：0.45%)股權，本集團對該等投資相關業務並無控制權、聯合控制權或重大影響。於二零一五年，該等投資按於報告期末之成本減去減值釐定，原因是本公司董事認為合理公允價值估計範圍太大，故其公允價值不能可靠計量。於二零一六年，由於股權證券已上市及公允價值可予可靠計量，因此有關投資於報告期末按公允價值列賬。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

18. DEFERRED TAX

The movement in deferred tax assets (liabilities) arising from temporary differences are as follows:

		Tax losses	Withholding tax for undistributed profits	Valuation on investment properties	Accelerated tax depreciation	Available-for-sale investments	Others	Total
		稅項虧損	未分配利潤的預扣稅	投資物業估值	加速稅項折舊	可供出售投資	其他	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Balance as at 1 January 2015	於二零一五年一月一日之結餘	99,329	(75,013)	(2,064,032)	(83,086)	-	76,085	(2,046,717)
Credited to the profit or loss upon payment of withholding tax (note 9)	支付預扣稅後計入損益(附註9)	-	37,926	-	-	-	-	37,926
Overprovision in prior year (note 9)	過往年度超額撥備(附註9)	-	28,680	-	-	-	-	28,680
(Charged) credited to the profit or loss (note 9)	於損益(扣除)計入(附註9)	(20,926)	(1,707)	(70,808)	(23,583)	-	18,769	(98,255)
Disposal of subsidiaries (note 35)	出售附屬公司(附註35)	-	-	-	13,014	-	(2,587)	10,427
Balance as at 31 December 2015	於二零一五年十二月三十一日之結餘	78,403	(10,114)	(2,134,840)	(93,655)	-	92,267	(2,067,939)
(Charged) credited to the profit or loss (note 9)	於損益(扣除)計入(附註9)	(55,238)	(9,762)	(56,793)	(25,673)	-	56,392	(91,074)
Overprovision in prior year (note 9)	過往年度超額撥備(附註9)	-	9,826	-	-	-	-	9,826
Charge to other comprehensive income (note 32)	於其他全面收益扣除(附註32)	-	-	-	-	(54,445)	-	(54,445)
Balance as at 31 December 2016	於二零一六年十二月三十一日之結餘	23,165	(10,050)	(2,191,633)	(119,328)	(54,445)	148,659	(2,203,632)

The following is the analysis of the deferred taxation balances for financial reporting purposes:

暫時差額產生的遞延稅項資產(負債)的變動如下:

就財務報告目的而言，遞延稅項結餘分析如下：

		2016	2015
		二零一六年	二零一五年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Deferred tax assets	遞延稅項資產	190,151	199,785
Deferred tax liabilities	遞延稅項負債	(2,393,783)	(2,267,724)
		(2,203,632)	(2,067,939)

The PRC EIT Law and its implementation rules impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividends distributed by PRC-resident enterprises to their non-PRC-resident corporate investors for profits earned since 1 January 2008. Under the Sino-Hong Kong Double Tax Arrangement, a qualified Hong Kong tax resident is entitled to a reduced withholding tax rate of 5% if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interest of the PRC enterprise directly. Since the Group controls the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

中國企業所得稅法及其實施規則規定，自二零零八年一月一日起，中國居民企業就所賺取盈利向非中國居民企業投資者分派的股息須按10%繳納預扣稅（除非根據稅項條約或安排獲減免）。根據內地與香港避免雙重徵稅安排，作為「實益擁有人」並直接持有中國企業25%或以上股權的合資格香港稅務居民有權按減免預扣稅稅率5%繳稅。由於本集團可控制分派本集團於中國的附屬公司的盈利的數量及時間，遞延稅項負債僅以預期可於可見將來分派的有關盈利為限計提撥備。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

18. DEFERRED TAX (Cont'd)

At 31 December 2016, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to RMB973,599,000 (2015: RMB681,595,000) in respect of which deferred tax liabilities were not recognised. Except for the undistributed profit of the Group's PRC subsidiaries amounted to RMB195,240,000 (2015: RMB17,070,000), no deferred tax liability was recognised in respect of the taxable temporary differences as of 31 December 2016 as the Group controlled the dividend policy of these subsidiaries and had no plan to dispose of these subsidiaries in the then foreseeable future.

At 31 December 2016, the Group has unused deductible temporary difference amounted to RMB5,469,000 (2015: RMB239,717,000). No deferred tax asset has been recognised in respect of such temporary difference.

At the end of the reporting period, the Group has unused tax losses of RMB567,110,000 (2015: RMB417,996,000) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to RMB92,660,000 (2015: RMB313,612,000). No deferred tax asset has been recognised in respect of the remaining tax losses of RMB474,450,000 (2015: RMB104,384,000) due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years ending 31 December:

2016	二零一六年
2017	二零一七年
2018	二零一八年
2019	二零一九年
2020	二零二零年
2021	二零二一年

18. 遞延稅項(續)

於二零一六年十二月三十一日，有關本集團中國附屬公司之未分配利潤暫時差額達人民幣973,599,000元(二零一五年：人民幣681,595,000元)，並未就該等金額確認遞延稅項負債。除本集團中國附屬公司之未分配利潤達人民幣195,240,000元(二零一五年：人民幣17,070,000元)外，因本集團控制該等附屬公司的股息政策，且並無計劃於當時的可預見未來出售該等附屬公司，故並未就截至二零一六年十二月三十一日的應課稅暫時差額確認遞延稅項負債。

於二零一六年十二月三十一日，本集團有未動用可扣稅暫時差額人民幣5,469,000元(二零一五年：人民幣239,717,000元)。概無就該等暫時差額確認遞延稅項資產。

於報告期末，本集團可供抵銷未來盈利之未動用稅項虧損為人民幣567,110,000元(二零一五年：人民幣417,996,000元)。遞延稅項資產就該等稅項虧損確認為人民幣92,660,000元(二零一五年：人民幣313,612,000元)。由於未來盈利來源不可預測，故並無就其餘稅項虧損人民幣474,450,000元(二零一五年：人民幣104,384,000元)確認遞延稅項資產。未確認之稅項虧損將於以下年度截至十二月三十一日止屆滿：

2016	2015
二零一六年	二零一五年
RMB'000	RMB'000
人民幣千元	人民幣千元

		-	5,539
		3,313	5,956
		24,604	23,042
		67,383	67,404
		1,550	2,443
		377,600	-
		474,450	104,384

19. DEPOSITS PAID FOR ACQUISITION OF EQUITY INTERESTS/PROPERTY, PLANT AND EQUIPMENT

The balance amounted to RMB210,000,000 was related to deposit paid for acquisition on equity interests in Apex Leader Limited ("Apex"), a company incorporated in British Virgin Islands ("BVI") (see also note 41(a)).

The other balance of RMB156,776,000 was related to acquisition of property, plant and equipment which is situated in the United States of America.

20. PROPERTIES UNDER DEVELOPMENT FOR SALE

Included in the properties under development for sale as at 31 December 2016 is carrying value of RMB3,977,425,000 (2015: RMB2,109,719,000) which represents the carrying value of the properties expected to be realised after twelve months from the end of the reporting period.

The Group's properties under development for sale are situated in the PRC and Hong Kong.

19. 收購股權／物業、廠房及設備之已付按金

結餘人民幣210,000,000元與收購Apex Leader Limited (「Apex」，一間於英屬維爾京群島(「英屬維爾京群島」)註冊成立的公司)股權之已付按金有關(亦見附註41(a))。

其他結餘人民幣156,776,000元與收購位於美國之物業、廠房及設備有關。

20. 發展中待售物業

於二零一六年十二月三十一日，列為發展中待售物業之賬面值為人民幣3,977,425,000元(二零一五年：人民幣2,109,719,000元)，乃預期於報告期末後十二個月方變現之物業賬面值。

本集團之發展中待售物業位於中國及香港。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

21. PROPERTIES HELD FOR SALE

The Group's properties held for sale are situated in the PRC.

22. OTHER INVENTORIES

Other inventories represent low value consumables carried at cost.

23. ACCOUNTS RECEIVABLE

21. 待售物業

本集團待售物業位於中國。

22. 其他存貨

其他存貨指按成本值入賬的低值易耗品。

23. 應收賬款

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Accounts receivable	應收賬款	17,329	103,042
Less: Allowance for doubtful debts	減：呆賬撥備	(793)	(832)
		16,536	102,210

Accounts receivable represents receivables arising from sales of properties which are due for settlement in accordance with the terms of the relevant sales and purchase agreements, and rental income from leasing properties. Monthly rents are normally received in advance and sufficient rental deposits are held to minimise credit risk. Accounts receivable generally have credit terms of 30 to 60 days (2015: 30 to 60 days) and no interest is charged. All accounts receivable are denominated in RMB. The ageing analysis of the Group's accounts receivable, based on invoice dates for leasing income and the terms of relevant sales and purchases agreements for sales of properties, is as follows:

應收賬款指根據相關買賣協議條款到期應付的銷售物業產生的應收賬款，以及租賃物業的租金收入。每月租金通常預先收取，並持有充足的租金按金以減低信貸風險。應收賬款的信貸期一般為30至60天（二零一五年：30至60天）且不計息。所有應收賬款以人民幣計值。本集團應收賬款的賬齡按有關租賃收入發票日期以及物業銷售相關買賣協議條款分析如下：

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Within 1 month	一個月內	6,517	93,883
1 to 12 months	1至12個月	7,741	2,212
13 to 24 months	13至24個月	1,176	4,546
Over 24 months	超過24個月	1,102	1,569
		16,536	102,210

Included in the Group's accounts receivable balances are debtors with aggregate carrying amount of RMB10,019,000 (2015: RMB8,327,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss, of which 77% (2015: 27%) are past due within twelve months, and 23% (2015: 73%) are past due over twelve months, based on the repayment terms set out in the sales and purchase agreements. No provision for impairment is considered necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

計入本集團應收賬款結餘之款項為賬面總值為人民幣10,019,000元（二零一五年：人民幣8,327,000元）之應收款項，已於報告期末逾期，而本集團並無就此作出減值虧損撥備，根據買賣協議載列之還款期限，其中77%（二零一五年：27%）於十二個月內逾期，23%（二零一五年：73%）於十二個月後逾期。由於有關信貸質素並無重大變動且有關於結餘被認為仍可悉數收回，故被認為並無必要就該等結餘作出減值撥備。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

23. ACCOUNTS RECEIVABLE (Cont'd)

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
At 1 January	於一月一日	832	773
Impairment loss recognised	已確認減值虧損	-	59
Reversal on impairment loss recognised	已確認減值虧損之撥回	(39)	-
At 31 December	於十二月三十一日	793	832

As at 31 December 2016 and 2015, all remaining accounts receivable were neither past due nor impaired. These related to a number of customers for whom there was no recent history of default.

23. 應收賬款(續)

年內的呆賬撥備變動(包括特定及整體虧損組成部分)如下:

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
At 1 January	於一月一日	832	773
Impairment loss recognised	已確認減值虧損	-	59
Reversal on impairment loss recognised	已確認減值虧損之撥回	(39)	-
At 31 December	於十二月三十一日	793	832

於二零一六年及二零一五年十二月三十一日，全部餘下應收賬款並未逾期及減值。款項乃與近期並無違約記錄的多名客戶有關。

24. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Deposits paid and prepayments	已付按金及預付款項	459,299	309,119
Other receivables	其他應收款項	405,652	740,931
Amounts due from related parties	應收關連人士款項	317,089	888,544
Amounts due from non-controlling interests	應收非控股權益款項	52,743	2,875
		1,234,783	1,941,469

Amounts due from non-controlling interests and related parties, in which the ultimate controlling party has beneficial interests, are unsecured, interest-free and repayable on demand.

24. 已付按金、預付款項及其他應收款項

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Deposits paid and prepayments	已付按金及預付款項	459,299	309,119
Other receivables	其他應收款項	405,652	740,931
Amounts due from related parties	應收關連人士款項	317,089	888,544
Amounts due from non-controlling interests	應收非控股權益款項	52,743	2,875
		1,234,783	1,941,469

應收非控股權益及關連人士款項(最終控股方於其中擁有實益權益)為無抵押、免息及須按要求償還。

25. OTHER CURRENT ASSETS

Amount represented investments in wealth management product issued by financial institutions, which are either redeemable on demand or with maturities within twelve months with return based on performance of underlying assets. Such deposit is classified as loan and receivable recorded at cost. In the opinion of the directors of the Company, the carrying amount approximate to their fair values as of 31 December 2016 and 2015.

25. 其他流動資產

其他流動資產指對金融機構所發行理財產品的投資，可應要求予以贖回或於十二個月內到期，有關回報根據相關資產的表現而定。有關按金分類為按成本列賬的貸款及應收款項。本公司董事認為，截至二零一六年及二零一五年十二月三十一日，該等款項的賬面值與其公允價值相若。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

26. RESTRICTED BANK DEPOSITS

Amount mainly includes pledged deposits for letters of credit issued by a related party (see also *note 44(e)*) and performance deposits from contractors for construction contracts and bank loans of the Group. During the year, bank deposits amounted to RMB256,310,000 (2015: RMB256,310,000) of the Group was pledged for a bank borrowing utilised by an independent third party.

The effective interest rate of restricted bank deposits is in the range of 0.35% to 4.75% (2015: 0.35% to 5.23%) per annum.

27. BANK BALANCES AND CASH

As at 31 December 2016, included in bank balances and cash was a fixed deposit of RMB200,000,000 (2015: nil) with original maturity period of more than three months but within one year.

The effective interest rate of cash at banks is in the range of 0.01% to 1.56% (2015: 0.01% to 1.35%) per annum.

28. ACCOUNTS PAYABLE

Accounts payable mainly represent amounts due to contractors. Payment to contractors is made by reference of progress of the respective construction work and agreed milestones.

The following is an aged analysis of accounts payable presented based on the invoice date:

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Within 1 month	一個月內	832,363	955,153
1 to 12 months	1至12個月	35,676	91,321
13 to 24 months	13至24個月	16,866	37,191
Over 24 months	24個月以上	36,533	18,631
		921,438	1,102,296

29. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Receipts in advance	預收款項	217,355	3,627,073
Other payables and accruals	其他應付款項及應計費用	324,468	312,733
Amounts due to related parties	應付關連人士款項	-	50
Amounts due to non-controlling interests	應付非控股權益款項	4,715	4,493
		546,538	3,944,349

26. 受限制銀行存款

該筆款項主要包括一名關連人士發出的信用證的已質押存款(亦見附註44(e))、承包商建築合約的履約按金及本集團的銀行貸款。年內,本集團銀行存款人民幣256,310,000元(二零一五年:人民幣256,310,000元)已質押作為獨立第三方動用的銀行借貸的抵押。

受限制銀行存款實際年利率介乎0.35%至4.75%(二零一五年:0.35%至5.23%)。

27. 銀行結餘及現金

於二零一六年十二月三十一日,銀行結餘及現金包括原到期日為多於三個月但少於一年之定期存款人民幣200,000,000元(二零一五年:無)。

銀行現金的實際年利率介乎0.01%至1.56%(二零一五年:0.01%至1.35%)。

28. 應付賬款

應付賬款主要指應付承包商款項。應付承包商款項參考有關建設工程進度及協定進度作出。

應付賬款的賬齡按發票日期分析如下:

29. 應計費用、已收按金及其他應付款項

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

29. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES (Cont'd)

Receipts in advance primarily consisted of sales proceeds received from customers.

Included in other payables and accruals at 31 December 2016 are deposits and retention money payable of RMB108,566,000 (2015: RMB115,534,000), which are expected to be settled after more than one year.

Amounts due to non-controlling interests and related parties, in which the ultimate controlling party has beneficial interests, are unsecured, interest-free and repayable on demand.

30. BORROWINGS

29. 應計費用、已收按金及其他應付款項 (續)

預收款項主要包括向客戶收取之銷售所得款項。

於二零一六年十二月三十一日，其他應付款項及應計費用包括存款及應付保留金人民幣108,566,000元（二零一五年：人民幣115,534,000元），預期將於超過一年後付清。

應付非控股權益及關連人士款項（最終控股方於其中擁有實益權益）為無抵押、免息及須按要求償還。

30. 借貸

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Borrowings comprise:	借貸包括：		
– Variable rate bank loans	– 浮息銀行貸款	8,228,366	6,540,535
– Fixed rate bank loans	– 固定利率銀行貸款	272,845	944,865
– Other borrowings	– 其他借貸	280,000	680,000
– Loans from non-controlling interests	– 非控股權益貸款	66,544	83,536
– Domestic corporate bond	– 境內公司債券	2,600,000	–
		11,447,755	8,248,936
Less: Front-end fee	減：前期費用	(30,488)	(15,055)
		11,417,267	8,233,881
Analysed as:	分析：		
– Secured	– 有抵押	8,597,491	8,150,345
– Unsecured	– 無抵押	2,819,776	83,536
		11,417,267	8,233,881
Borrowings repayable within a period of:	借貸須於以下期間內償還：		
– Not more than 1 year or on demand	– 一年內或按要求	3,580,323	1,676,275
– More than 1 year, but not exceeding 2 years	– 超過一年但少於兩年	2,062,633	2,786,866
– More than 2 years, but not exceeding 5 years	– 超過兩年但少於五年	4,022,903	1,794,137
– More than 5 years	– 五年以後	1,781,896	1,991,658
Total borrowings	借貸總計	11,447,755	8,248,936
Less: Amount due within one year shown under current liabilities	減：流動負債項下於一年內到期之款項	(3,580,323)	(1,676,275)
Less: Front-end fee	減：前期費用	(30,488)	(15,055)
Amount due after one year	於一年後到期之款項	7,836,944	6,557,606

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

30. BORROWINGS (Cont'd)

All the Group's borrowings are denominated in the functional currencies of the relevant group companies (i.e. RMB and HKD) except loans from non-controlling interests of subsidiaries amounting to RMB66,544,000 (2015: RMB63,409,000), which are denominated in USD.

In 2015, an independent third party provided joint guarantees to the bank loans of the Group amounted RMB140,000,000. Certain secured bank loans with amounts of RMB1,370,000,000 (2015: RMB1,694,000,000) were secured by certain properties owned by an independent third party.

In 2015, a secured bank loan with an amount of RMB500,000,000 was jointly secured by certain properties owned by Ms. He Yaxing, the spouse of the ultimate controlling party.

Certain secured bank loans with aggregate amount of RMB678,000,000 (2015: RMB1,234,000,000) was jointly secured by properties owned by related companies controlled by Mr. Wong.

For bank loans denominated in HKD, the effective interest rates ranging from 2% to 4.25% (2015: 2% to 2.2%) per annum. For bank and other loans denominated in RMB, the effective interest rate was ranging from 4.35% to 8.95% (2015: 5.39% to 8.95%) per annum.

Loans from non-controlling interests are unsecured and interest-free. The loans were initially recognised at fair value and subsequently stated at amortised cost which was estimated by discounting the nominal value of the loans at effective interest rate of 2.08% (2015: 2.08% to 4.55%) per annum. The loans were fully repaid subsequent to the end of the reporting period.

On 26 August 2016, a subsidiary of the Company, Zhengxinglong Real Estate (Shenzhen) Co., Ltd. ("Zhengxinglong") issued a domestic corporate bond (the "Bond") with a principal amount of RMB2,600,000,000 and will be repayable in full by 26 August 2021. Zhengxinglong shall has an option to rise the coupon rate from 6.5% up to 7.5% per annum after the end of the third year ("coupon rate adjustment"). Zhengxinglong will make an announcement of the determination on the coupon rate adjustment and irrespective of whether adjustment will be made or not, the investor can exercise retractable option within 3 working days from the third anniversary of the issue date.

The Bond is listed in Shenzhen Stock Exchange. In the opinion of the directors, the fair values of the entitlement of coupon rate adjustment and investor's entitlement of selling back the Bond are insignificant at initial recognition and at the end of reporting period.

Management estimates the fair value of the Bond as at 31 December 2016 to be RMB2,535,000,000 with reference to the quoted market price of the Bond.

30. 借貸(續)

所有本集團借貸採用相關集團公司的功能貨幣(即人民幣與港元)計值, 附屬公司的非控股權益貸款人民幣66,544,000元(二零一五年: 人民幣63,409,000元)以美元計值除外。

於二零一五年, 獨立第三方為集團所借銀行貸款提供的連帶擔保為人民幣140,000,000元。若干有擔保銀行貸款人民幣1,370,000,000元(二零一五年: 人民幣1,694,000,000元)由獨立第三方擁有之若干物業作出抵押。

於二零一五年, 人民幣500,000,000元的有抵押銀行貸款由最終控股方之配偶何亞興女士擁有的若干物業作共同抵押。

若干有抵押銀行貸款總金額人民幣678,000,000元(二零一五年: 人民幣1,234,000,000元)由黃先生控制之關聯公司擁有的物業作共同抵押。

就以港元計值的銀行貸款而言, 實際年利率介乎2%至4.25%(二零一五年: 2%至2.2%)。就以人民幣計值的銀行及其他貸款而言, 實際年利率介乎4.35%至8.95%(二零一五年: 5.39%至8.95%)。

非控股權益之貸款為無抵押及免息。有關貸款按公允價值初步確認, 其後按攤銷成本列賬, 有關攤銷成本乃按2.08%(二零一五年: 2.08%至4.55%)之實際年利率貼現貸款面值進行估計。貸款已於報告期末後全數償還。

於二零一六年八月二十六日, 本公司之附屬公司正興隆房地產(深圳)有限公司(「正興隆」)發行境內公司債券(「該債券」), 本金額為人民幣2,600,000,000元, 而有關金額將於二零二一年八月二十六日全數償還。正興隆可選擇於第三年結束後將年票息率自6.5%上調至最多7.5%(「票息率調整」)。正興隆將就票息率調整的決定作出公告(不論是否將會作出調整), 而投資者可自發行日期第三週年當日起的三個工作天內行使回售選擇權。

該債券於深圳證券交易所上市。董事認為, 票息率調整權利及投資者回售該債券之權利之公允價值於初始確認及報告期末時並不重大。

經參考該債券之市場報價後, 管理層估計該債券於二零一六年十二月三十一日之公允價值為人民幣2,535,000,000元。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

31. SHARE CAPITAL

31. 股本

		2016 二零一六年			2015 二零一五年		
		Number of shares 股份數目	HK\$'000 千港元	RMB'000 人民幣千元	Number of shares 股份數目	HK\$'000 千港元	RMB'000 人民幣千元
Authorised share capital of the Company:	本公司法定股本：						
Ordinary shares of HK\$0.01 each	每股面值0.01港元的普通股	30,000,000,000	300,000	240,000	30,000,000,000	300,000	240,000
Issued and fully paid share capital of the Company:	本公司已發行及繳足股本：						
Ordinary shares of HK\$0.01 each At 1 January	每股面值0.01港元的普通股於一月一日	4,693,582,792	46,935	39,115	3,893,582,792	38,935	32,336
Arising from placing shares in 2015	因於二零一五年配售股份而產生	-	-	-	800,000,000	8,000	6,779
At 31 December	於十二月三十一日	4,693,582,792	46,935	39,115	4,693,582,792	46,935	39,115

32. RESERVES

32. 儲備

		Notes 附註	2016	2015
			二零一六年 RMB'000 人民幣千元	二零一五年 RMB'000 人民幣千元
Share premium	股份溢價	(i)	6,299,142	6,299,142
Convertible preference shares	可換股優先股	(ii)	5,959,114	5,959,114
Other reserve	其他儲備	(iii)	(11,235,356)	(11,262,576)
Exchange reserve	匯兌儲備	(iv)	66,011	63,717
Share option reserve (note 37)	購股權儲備(附註37)		128,404	-
Investment revaluation reserve	投資重估儲備	(v)	163,336	-
Statutory reserve	法定儲備	(vi)	147,427	66,373
Retained profits	保留盈利		7,397,319	6,716,192
			8,925,397	7,841,962

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

32. RESERVES (Cont'd)

Notes:

The movements of the Group's reserves for the year are presented in the consolidated statement of changes in equity of the financial statements. The nature and purpose of the reserves are as follows:

- (i) Under the Companies Law (2011 Revision) of the Cayman Islands, the share premium account is distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be paid, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.
- (ii) On 30 November 2015, the Company issued convertible preference shares ("CPS") at issue price of HK\$2.06 per share, of which 3,413,473,023 CPS were issued to Mr. Wong for aggregate consideration of HK\$7,031,754,000 (equivalent of approximately RMB5,959,114,000) as consideration for the transaction.

Key terms of the CPS

- Holders of the CPS will be entitled to receive notices of and to attend the general meetings of the Company but are not permitted to vote unless a resolution is proposed to vary the rights of holders of the CPS or a resolution is proposed for the winding up of the Company;
- Holders of the CPS have the right to convert each CPS at any time into one ordinary share of the Company without the payment of any additional consideration. The holders may not exercise the conversion right if upon the conversion, the percentage of ordinary shares held by the public will fall below the minimum public float requirement under Rule 8.08 of the Listing Rules. The shares that are issued upon the exercise of the conversion right of the CPS are not subject to any restriction;
- The CPS cannot be redeemed by the Company;
- Holders of CPS will have priority over the holders of ordinary shares of the Company on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding-up or dissolution of the Company;
- Subject to compliance with all applicable laws and the article of association of the Company, each CPS shall confer on its holder the right to receive a preferred distribution from the date of the issue of the CPS at a rate of 0.2% per annum, payable annually in arrear. Such preferred distribution is non-cumulative. The board of directors may, in its sole discretion, elect to defer or not to pay a preferred distribution. No interest accrues on any unpaid preferred distribution. If the board of directors of the Company elects to defer or not to pay a preferred distribution, the Company cannot pay any dividends, distributions or make any other payment to any ordinary shares.

32. 儲備(續)

附註：

本集團儲備於年內的變動，於財務報表的綜合權益變動表中呈列。儲備的性質及目的如下：

- (i) 根據開曼群島公司法(二零一一年修訂版)，股份溢價賬可分派予本公司股東，惟緊隨派付股息日期後，本公司須有能力償還於日常業務過程中到期的債務。
- (ii) 於二零一五年十一月三十日，本公司按每股發行價2.06港元發行可換股優先股(「可換股優先股」)，其中3,413,473,023股可換股優先股發行予黃先生，總代價7,031,754,000港元(相當於約人民幣5,959,114,000元)，作為交易代價。

可換股優先股之主要條款

- 可換股優先股持有人將有權接獲通知並出席本公司股東大會，但不獲准投票，除非提呈修訂可換股優先股持有人之權利之決議案或提呈本公司清盤之決議案；
- 可換股優先股持有人有權(無支付任何額外代價)隨時將每股可換股優先股轉換為一股本公司普通股。倘行使兌換權導致公眾持有普通股之百分比低於上市規則第8.08條之最低公眾持股量規定，則持有人不得行使兌換權。於可換股優先股之兌換權獲行使時發行之股份毋須受任何限制；
- 可換股優先股不能由本公司贖回；
- 本公司因清算、清盤或解散而分派資產時，可換股優先股持有人較本公司普通股股東優先享有本公司可供分派之資產及資金；
- 待符合所有適用法律及本公司組織章程細則後，每股可換股優先股將賦予其持有人權利，自發行可換股優先股日期按每年0.2%之利率收取優先分派，並於每年年末支付。有關優先分派不可累積。董事會可全權酌情選擇遞延或不支付優先分派。任何未支付優先分派並不計息。倘本公司董事會選擇遞延或不支付優先分派，則本公司不會就任何普通股派付任何股息、分派或作出任何其他派付。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

32. RESERVES (Cont'd)

Notes: (Cont'd)

(ii) (Cont'd)

Key terms of the CPS (Cont'd)

The CPS are classified as equity instruments in the Group's consolidated financial statements as the Group does not have a contractual obligation to deliver cash or other financial assets arising from the issue of the CPS.

Up to the date of the authorisation for issue of the Group's consolidated financial statements for the year ended 31 December 2016, no CPS has been converted into ordinary shares of the Company.

(iii) Other reserve:

On 21 January 2014, China LVGEM, an independent third party and the then shareholders of the Company, including Belbroughton Limited, Mr. TAOCHAIFU Choofuang, Mr. TAO Richard, Mr. TAO Paul and Tian Xiang Business Limited (together, the "Vendors"), had entered into a conditional sale and purchase agreement (the "Sale and Purchase Agreement") for the acquisition of an aggregate of 858,800,792 ordinary shares of HK\$0.01 each (the "Acquisition Shares") of the Company (the "Acquisition"). The Acquisition Shares represented approximately 64.83% of the issued share capital of the Company and the Acquisition was completed as at 8 May 2014 ("Completion Date").

On 2 June 2015, Urban Thrive Holdings Limited ("Urban Thrive"), a wholly owned subsidiary of the Company (as the purchaser) and Mr. Wong (as the seller) entered into an agreement pursuant to which Mr. Wong conditionally agreed to sell and Urban Thrive conditionally agreed to purchase the entire equity interest in Green View Holding Company Limited ("Green View") and its subsidiaries (collectively referred to as the "Target Group") for a total consideration of HK\$13,785,000,000 (equivalent to approximately RMB11,682,204,000) (the "Transaction").

The Transaction was completed on 30 November 2015. Before the completion of the Transaction, agreements were signed between certain subsidiaries within the Target Group and certain entities controlled by Mr. Wong, pursuant to which certain subsidiaries of the Target Group (the "Disposal Group") would be disposed of to the entities controlled by Mr. Wong at a total consideration of RMB682,955,000 (the "Disposals"). Further details of the Disposals are set out in note 35(b).

32. 儲備(續)

附註:(續)

(ii) (續)

可換股優先股之主要條款(續)

由於本集團並無交付發行可換股優先股產生的現金或其他金融資產的合約責任，故可換股優先股獲分類為本集團綜合財務報表的股權工具。

截至授權刊發本集團截至二零一六年十二月三十一日止年度之綜合財務報表日期，可換股優先股並未轉換為本公司普通股。

(iii) 其他儲備：

於二零一四年一月二十一日，作為獨立第三方之中國綠景與本公司當時之股東，包括Belbroughton Limited、陶哲甫先生、陶家祈先生、陶錫祺先生及天祥事務有限公司(統稱「賣方」)就收購合共858,800,792股每股面值0.01港元之本公司普通股(「收購股份」)訂立有條件買賣協議(「買賣協議」)(「收購事項」)。收購股份佔本公司已發行股本約64.83%，收購事項已於二零一四年五月八日(「完成日期」)完成。

於二零一五年六月二日，本公司全資附屬公司城隆控股有限公司(「城隆」，作為買方)與黃先生(作為賣方)訂立一份協議，據此，黃先生有條件同意出售及城隆有條件同意購買綠景控股有限公司(「綠景」)及其附屬公司(統稱「目標集團」)之全部股權，總代價為13,785,000,000港元(相當於約人民幣11,682,204,000元)(「該交易」)。

該交易已於二零一五年十一月三十日完成。於該交易完成前，目標集團旗下之若干附屬公司與由黃先生控制之若干實體簽訂協議，據此，目標集團之若干附屬公司(「出售集團」)已被出售予黃先生控制之實體，總代價為人民幣682,955,000元(「出售事項」)。有關出售事項之進一步詳情載於附註35(b)。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

32. RESERVES (Cont'd)

Notes: (Cont'd)

(iii) Other reserve: (Cont'd)

Other reserve mainly comprise: Credit (debit) to other reserve	其他儲備主要包括： 其他儲備抵免(支出)	2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
(1) Consideration shares at HK\$2.06 (RMB1.65) per share issued for the Transaction deemed to be issued at the beginning of the earliest period presented	就該交易所發行每股面值2.06港元(人民幣1.65元)的代價股份(視作於最早呈報期初時發行)	(4,380,717)	(4,380,717)
(2) CPS at HK\$2.06 (RMB1.65) per CPS issued for the Transaction deemed to be issued at the beginning of the earliest period presented	就該交易所發行每股可換股優先股面值2.06港元(人民幣1.65元)的可換股優先股(視作於最早呈報期初時發行)	(5,959,114)	(5,959,114)
(3) Difference between the share capital and share premium of the Company and Target Group	本公司及目標集團股本及股份溢價差額	(433,106)	(433,106)
(4) Transfer upon exercise of share options and conversion of convertible bonds	行使購股權及轉換可換股債券時轉撥	(2,105)	(2,105)
(5) Transfer upon cancellation of vested share options	註銷已歸屬購股權時轉撥	(34)	(34)
(6) Effect of the Acquisition	收購事項之影響	806,292	806,292
(7) Transfer upon the Acquisition	收購事項後轉撥	191,563	191,563
(8) Effect of the Disposals	出售事項之影響	(142,982)	(142,982)
(9) Deemed distribution to Mr. Wong in relation to the consideration paid to Mr. Wong for the Transaction	就該交易向黃先生支付的代價視作分派予黃先生	(1,342,373)	(1,342,373)
(10) Equity transactions upon acquisition of non- controlling interests	收購非控股權益後的權益交易	27,220	-
		(11,235,356)	(11,262,576)

(iv) The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3.

(iv) 匯兌儲備包括換算海外業務的財務報表所產生的所有外匯差額。該儲備乃根據載列於附註3的會計政策處理。

(v) The movements of investment revaluation reserve of the Group are set out below:

(v) 本集團的投資重估儲備變動載列如下：

		2016 二零一六年 RMB'000 人民幣千元
At beginning of the year	年初	-
Available-for-sale financial assets:	可供出售金融資產：	
- Fair value changes during the year	- 年內公允價值變動	217,781
- Deferred tax related to fair value changes	- 有關公允價值變動的遞延稅項	(54,445)
		163,336

(vi) As stipulated by the relevant laws and regulations in the PRC, certain subsidiaries of the Company in the PRC are required to maintain a statutory reserve which is non-distributable other than upon the liquidation of the entity. Transfer to this reserve is made out of profit after tax of the subsidiaries' PRC statutory financial statements which are prepared in accordance with the accounting principles generally accepted in the PRC.

(vi) 根據相關中國法律及法規規定，本公司若干附屬公司須維持不可分派的法定儲備，惟該公司清盤則除外。此儲備乃由附屬公司按照中國普遍採納會計原則編製的中國法定財務報表中的除稅後盈利轉撥。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

33. ACQUISITION OF THE EXISTING GROUP

The Company and its subsidiary (before the completion of the Transaction) (the “Existing Group”) is deemed to have been acquired by the Target Group at the Completion Date. The total consideration of the Acquisition of HK\$1,007,864,525 (approximately RMB806,292,000) was paid in cash by China LVGEM to acquire approximately 75% of the aggregate issued share capital of the Company (the “Deemed Consideration”). The fair value of the identifiable assets and liabilities of the Existing Group at the Completion Date were as follows:

33. 收購現時集團

本公司及其附屬公司(於完成該交易前)(「現時集團」)被視為於完成日期由目標集團收購。中國綠景以現金支付收購事項之總代價為1,007,864,525港元(約人民幣806,292,000元)，以收購本公司已發行之股本總額約75%(「視作代價」)。現時集團於完成日期之可識別資產及負債公允價值如下：

		RMB'000 人民幣千元
Property, plant and equipment	物業、廠房及設備	7,317
Investment properties	投資物業	249,140
Deferred tax assets	遞延稅項資產	135
Properties under development for sale	發展中待售物業	369,987
Properties held for sale	待售物業	309,308
Other inventories	其他存貨	22
Accounts receivable	應收賬款	73
Deposits paid, prepayments and other receivables	已付按金、預付款項及其他應收款項	39,249
Other current assets	其他流動資產	998
Tax recoverable	可回收稅項	18,974
Restricted bank deposits	受限制銀行存款	25,999
Bank balances and cash	銀行結餘及現金	379,530
Accounts payable	應付賬款	(50,629)
Accruals, deposits received and other payables	應計費用、已收按金及其他應付款項	(362,348)
Borrowings	借貸	(86,520)
Convertible bonds	可換股債券	(34,523)
Deferred tax liabilities	遞延稅項負債	(59,714)
Net assets acquired	已收購資產淨值	806,998

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

33. ACQUISITION OF THE EXISTING GROUP (Cont'd)

Goodwill was determined as the excess of the Deemed Consideration of the Acquisition and the amount of non-controlling interests of the subsidiaries of the Existing Group and 25% deemed non-controlling interest in the Existing Group over the fair values of the identifiable assets and liabilities acquired of the Existing Group as at the Completion Date, as follows:

		RMB'000 人民幣千元
Deemed Consideration	視作代價	806,292
Plus: Non-controlling interests of the subsidiaries of the Existing Group (Note)	加：現時集團附屬公司之非控股權益(附註)	40,745
Plus: 25% interest in the Existing Group (Note)	加：現時集團之25%權益(附註)	191,563
Less: Recognised net assets of the acquirees	減：被收購方之已確認資產淨值	(806,998)
Goodwill	商譽	231,602

Note: The non-controlling interests at the Completion Date were measured at their present ownership interests' proportionate share in the recognised amounts of the acquirees' identifiable assets at the Completion Date.

This Acquisition has been accounted for using the purchase method in accordance with HKFRS 3 *Business Combination*. Acquisition and related transaction costs have been excluded from the Deemed Consideration transferred and have been recognised as an expense directly. Goodwill arose in the Acquisition because the cost of the combination included a control premium, as well as the benefit of future market development and fund raising platform for the properties development business. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

34. ACQUISITIONS OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

- (a) As detailed in the announcements issued by the Company dated 30 July 2015, 13 August 2015 and 22 March 2016, Jianmai Limited, an indirect 75%-owned subsidiary of the Company as the purchaser entered into an acquisition agreement on 30 July 2015, with Hanison Construction Holdings (BVI) Limited, an independent third party to the Group as the vendor and Sanney Limited, an independent third party to the Group as vendor's guarantor pursuant to which Jianmai Limited conditionally agreed to acquire from the vendor the entire issued share capital in Wisdom Concept Development Limited ("Wisdom Concept") for an aggregate consideration of HK\$710,000,000 (equivalent to RMB606,837,000). Wisdom Concept is engaging in property development in Hong Kong of which the main asset is a land held for development and thus the acquisition was regarded as acquisition of assets and liabilities through acquisition of a subsidiary. The acquisition was completed on 22 March 2016.

33. 收購現時集團(續)

商譽乃按收購事項之視作代價、現時集團附屬公司非控股權益金額及現時集團25%視作非控股權益，超出現時集團所收購可識別資產及負債於完成日期之公允價值之數額而釐定，詳情載列如下：

		RMB'000 人民幣千元
Deemed Consideration	視作代價	806,292
Plus: Non-controlling interests of the subsidiaries of the Existing Group (Note)	加：現時集團附屬公司之非控股權益(附註)	40,745
Plus: 25% interest in the Existing Group (Note)	加：現時集團之25%權益(附註)	191,563
Less: Recognised net assets of the acquirees	減：被收購方之已確認資產淨值	(806,998)
Goodwill	商譽	231,602

附註：於完成日期的非控股權益乃按其於被收購方可識別資產於完成日期的已確認金額中的現有所有權權益比例份額計量。

本收購事項根據香港財務報告準則第3號業務合併採用收購法入賬。收購事項及相關交易成本不包括所轉讓之視作代價，並已直接確認為開支。收購事項產生商譽乃由於計入控制溢價的合併成本以及未來市場開發的收益及物業開發業務平台所籌集的資金所致。由於該等收益並不符合可識別無形資產的確認標準，故此並未在商譽中獨立確認。

34. 透過收購附屬公司收購資產及負債

- (a) 誠如本公司於二零一五年七月三十日、二零一五年八月十三日及二零一六年三月二十二日刊發的公告所詳述，於二零一五年七月三十日，景邁有限公司(本公司間接擁有75%權益之附屬公司，作為買方)與本集團獨立第三方 Hanison Construction Holdings (BVI) Limited (作為賣方)及本集團獨立第三方駿生有限公司(作為賣方之擔保方)訂立收購協議，據此，景邁有限公司有條件同意向賣方收購聰勁發展有限公司(「聰勁」)之全部已發行股本，總代價為710,000,000港元(相當於人民幣606,837,000元)。聰勁於香港從事物業發展，其主要資產為持作開發土地，因此，該收購事項被視為透過收購一間附屬公司收購資產及負債。該收購事項於二零一六年三月二十二日完成。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

34. ACQUISITIONS OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (Cont'd)

(a) (Cont'd)

Assets and liabilities recognised at the date of acquisition:

		RMB'000 人民幣千元
Properties under development for sale	發展中待售物業	606,906
Other receivables	其他應收款項	6
Accruals, deposits received and other payables	應計費用、已收按金及其他應付款項	(75)
Net assets acquired	已收購資產淨值	606,837

Net cash outflow arising on acquisition:

(a) (續)

於收購日期確認之資產及負債：

		RMB'000 人民幣千元
Net cash outflow arising on acquisition:	收購帶來的現金流出淨額：	606,837

Cash consideration paid

已付現金代價

606,837

(b) On 30 April 2015, Xingfu (China) Limited, an indirect wholly-owned subsidiary of the Company, and Crown Profit (HK) Industrial Limited, an independent third party of the Group, entered into a sale and purchase agreement, pursuant to which Xingfu (China) Limited conditionally agreed to purchase, and Crown Profit (HK) Industrial Limited conditionally agreed to sell and transfer, 10,000 shares in the issued share capital of HongKong Jiatian International Trading Development Limited, which represents its entire issued share capital, and its non-wholly owned subsidiary (collectively referred to as the "HongKong Jiatian Group"), for a total cash consideration of RMB145,200,000. HongKong Jiatian Group was engaged in property investment in the PRC through its non-wholly owned subsidiary and thus regarded as acquisition of assets and liabilities. The acquisition was completed on 4 May 2015.

(b) 於二零一五年四月三十日，興富(中國)有限公司(本公司之間接全資附屬公司)與冠潤(香港)實業有限公司(本集團獨立第三方)訂立買賣協議，據此，興富(中國)有限公司有條件同意購買而冠潤(香港)實業有限公司有條件同意出售及轉讓香港佳田國際貿易發展有限公司已發行股本中之10,000股股份，即其全部已發行股本；連同其非全資附屬公司(以下統稱「香港佳田集團」)，視作收購資產與負債總現金代價為人民幣145,200,000元。香港佳田集團透過其非全資附屬公司於中國從物業投資。該收購事項於二零一五年五月四日完成。

Assets and liabilities recognised at the date of acquisition:

於收購日期確認之資產及負債：

		RMB'000 人民幣千元
Investment properties	投資物業	227,890
Other receivables	其他應收款項	164
Bank balances	銀行結餘	13
Accounts payable	應付賬款	(1,500)
Accruals, deposits received and other payables	應計費用、已收按金及其他應付款項	(2,967)
Borrowings	借貸	(30,000)
Net assets acquired	已收購資產淨值	193,600

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

34. ACQUISITIONS OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (Cont'd)

(b) (Cont'd)

Non-controlling interests:

The non-controlling interests (25%) in non-wholly owned subsidiary of HongKong Jiatian International Trading Development Limited recognised at the acquisition date were measured by reference to the proportionate share of recognised amounts of net assets and amounted to RMB48,400,000.

Net cash outflow arising on acquisition:

		RMB'000 人民幣千元
Cash consideration paid	已付現金代價	145,200
Less: Bank balances acquired	減：已收購銀行結餘	(13)
		145,187

35. DISPOSAL OF SUBSIDIARIES

(a) Disposal of a subsidiary in 2016

On 26 April 2016, the Group as the vendor entered into a sale and purchase agreement with 惠州市曼哈房地產開發有限公司 (Huizhou Manha Real Estate Development Co., Ltd.*) an independent third party of the Group, as the purchaser to dispose of the entire equity interests in a wholly-owned subsidiary, Huizhou LVGEM Real Estate Development Co., Ltd. ("Huizhou LVGEM") at a consideration of RMB54,798,000. Huizhou LVGEM was engaged in property development in Huizhou, the PRC. The disposal was completed on 10 August 2016.

Net assets of the above subsidiary at the date of disposal were as follows:

		RMB'000 人民幣千元
Net assets disposed of:	已出售資產淨值：	
Properties under development for sale	發展中待售物業	36,419
Bank balances and cash	銀行結餘及現金	39
		36,458
Gain on disposal of a subsidiary (included in "other income")	出售一間附屬公司收益(計入「其他收入」)	18,340
Total consideration	總代價	54,798

34. 透過收購附屬公司收購資產及負債(續)

(b) (續)

非控股權益：

於收購日期確認之香港佳田國際貿易發展有限公司於全資附屬公司的非控股權益(25%)，乃參考按比例分估資產淨值的確認金額計量，其金額為人民幣48,400,000元。

收購帶來的現金流出淨額：

35. 出售附屬公司

(a) 於二零一六年出售一間附屬公司

於二零一六年四月二十六日，本集團(作為賣方)與本集團獨立第三方惠州市曼哈房地產開發有限公司(作為買方)訂立買賣協議，以出售全資附屬公司惠州綠景房地產開發有限公司(「惠州綠景」)的全部股權，代價為人民幣54,798,000元。惠州綠景於中國惠州從事物業發展。該出售事項於二零一六年八月十日完成。

於出售日期，上述附屬公司的資產淨值如下：

* For identification purpose only 僅供識別

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

35. DISPOSAL OF SUBSIDIARIES (Cont'd)

(a) Disposal of a subsidiary in 2016 (Cont'd)

An analysis of the net cash inflow of cash and cash equivalents in respect of the disposal is as follows:

		RMB'000 人民幣千元
Total cash consideration received	已收總現金代價	54,798
Bank balances and cash disposed of	已出售銀行結餘及現金	(39)
Net cash inflow on disposal	出售的現金流入淨額	54,759

(b) Disposal of subsidiaries in 2015

As disclosed in note 32(iii), agreements were signed between certain subsidiaries of the Target Group and certain entities controlled by Mr. Wong, pursuant to which certain subsidiaries of the Target Group would be disposed of the entities controlled by Mr. Wong at a total consideration of RMB682,955,000.

On 13 May 2015, the Target Group as the vendor entered into a sale and purchase agreement (the "Shenzhen Wanghaiyikang Disposal Agreement") with Shenzhen Jinshunlai Investment Development Co., Ltd. as the purchaser to dispose of the entire equity interests in a 90%-owned subsidiary, Shenzhen Wanghaiyikang Industrial Development Co., Ltd. ("Shenzhen Wanghaiyikang") at a consideration of RMB25,240,000. Shenzhen Wanghaiyikang disposed of certain investment properties to an independent third party before the completion of the Shenzhen Wanghaiyikang Disposal Agreement, since then, it became a shell company with no property holding or active business. The disposal was completed on 13 May 2015.

On 13 May 2015, the Target Group as the vendor entered into a sale and purchase agreement with Shenzhen LVGEM Entity Management Group Co., Ltd. as the purchaser to dispose of the entire equity interests in a wholly-owned subsidiary, Shenzhen Lvsheng Investment Development Co., Ltd. ("Shenzhen Lvsheng"), and its subsidiary (collectively referred to as the "Shenzhen Lvsheng Group") at a consideration of RMB381,230,000. Shenzhen Lvsheng Group holds the industrial factory area in Nanshan district in Shenzhen, the PRC. The disposal was completed on 13 May 2015.

On 29 May 2015, the Target Group as the vendor entered into a sale and purchase agreement with Jinling Holdings Limited as the purchaser to dispose of the entire equity interests in a wholly-owned subsidiary, Jin Xin Investments (Hong Kong) Limited ("Jin Xin"), and its subsidiaries (collectively referred to as the "Jin Xin Group") at a consideration of RMB276,485,000. Jin Xin Group was engaged in property development in Zhuhai, the PRC, through its subsidiaries. The disposal was completed on 29 May 2015.

35. 出售附屬公司(續)

(a) 於二零一六年出售一間附屬公司(續)

有關出售事項的現金及現金等價物現金流入淨額分析如下：

		RMB'000 人民幣千元
Total cash consideration received	已收總現金代價	54,798
Bank balances and cash disposed of	已出售銀行結餘及現金	(39)
Net cash inflow on disposal	出售的現金流入淨額	54,759

(b) 於二零一五年出售附屬公司

誠如附註32(iii)所披露，目標集團若干附屬公司與黃先生控制之若干實體訂立協議，據此，目標集團之若干附屬公司將出售予黃先生控制之若干實體，總代價為人民幣682,955,000元。

於二零一五年五月十三日，目標集團(作為賣方)與深圳市金順來投資發展有限公司(作為買方)訂立一份買賣協議(「深圳旺海怡康出售協議」)，以出售其持有90%權益之附屬公司深圳市旺海怡康實業發展有限公司(「深圳旺海怡康」)之全部股權，代價為人民幣25,240,000元。於完成深圳旺海怡康出售協議之前，深圳旺海怡康向獨立第三方出售若干投資物業，自此，其成為空殼公司而無持有物業或經營業務。出售事項已於二零一五年五月十三日完成。

於二零一五年五月十三日，目標集團(作為賣方)與深圳市綠景企業管理集團有限公司(作為買方)訂立一份買賣協議，以出售其於全資附屬公司深圳市綠景投資發展有限公司(「深圳綠景」)及其附屬公司(統稱「深圳綠景集團」)之全部股權，代價為人民幣381,230,000元。深圳綠景持有中國深圳市南山區之工廠區。出售事項已於二零一五年五月十三日完成。

於二零一五年五月二十九日，目標集團(作為賣方)與金凌集團有限公司(作為買方)訂立一份買賣協議，以出售其於全資附屬公司金信投資(香港)有限公司(「金信」)及其附屬公司(統稱「金信集團」)之全部股權，代價為人民幣276,485,000元。金信集團於中國珠海透過其附屬公司從物業發展。出售事項已於二零一五年五月二十九日完成。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

35. DISPOSAL OF SUBSIDIARIES (Cont'd)

(b) Disposal of subsidiaries in 2015 (Cont'd)

The difference of RMB90,671,000 between the aggregate consideration of RMB682,955,000 and the carrying amount of assets and liabilities of the disposed subsidiaries as mentioned above of RMB773,626,000 was considered as a deemed distribution to Mr. Wong and debited against other reserves of the Group.

The aggregate consideration was satisfied by (i) RMB100,260,000 offset against the amount due to the ultimate controlling party; (ii) RMB582,695,000 settled against dividend declared to the ultimate controlling party by the Target Group (see note 11).

Net assets of the above subsidiaries at the date of disposal were as follows:

		RMB'000 人民幣千元
Net assets disposed of:	已出售資產淨值：	
Property, plant and equipment	物業、廠房及設備	28,898
Available-for-sale investments	可供出售投資	4,500
Deferred tax assets	遞延稅項資產	2,587
Properties under development for sale	發展中待售物業	558,591
Properties held for sale	待售物業	247,146
Tax recoverable	可收回稅項	239
Accounts and other receivables, deposits and prepayments	應收賬款及其他應收款項、按金及預付款項	247,912
Bank balances and cash	銀行結餘及現金	16,139
Accounts and other payables, accruals and deposits received	應付賬款及其他應付款項、應計費用及已收按金	(310,181)
Tax liabilities	稅項負債	(9,191)
Deferred tax liabilities	遞延稅項負債	(13,014)
		773,626
Release of non-controlling interests	解除非控股權益	(11,327)
Exchange reserve released on disposal	出售時解除之匯兌儲備	63,638
Loss on disposal of subsidiaries (included in "other reserve")	出售附屬公司虧損(計入「其他儲備」)	(142,982)
Total consideration	總代價	682,955

An analysis of the net cash outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

有關出售附屬公司的現金及現金等價物現金流出淨額分析如下：

		RMB'000 人民幣千元
Total cash consideration received	已收總現金代價	-
Bank balances and cash disposed of	已出售銀行結餘及現金	(16,139)
Net cash outflow on disposal	出售的現金流出淨額	(16,139)

35. 出售附屬公司(續)

(b) 於二零一五年出售附屬公司(續)

總代價人民幣682,955,000元與上文所述已出售附屬公司之資產及負債賬面值人民幣773,626,000元的差額人民幣90,671,000元被認為黃先生的分派及計入本集團的其他儲備。

總代價將按以下方式支付：(i)人民幣100,260,000元與應付最終控股方款項抵銷；(ii)人民幣582,695,000元由目標集團向最終控股方宣派之股息抵銷(見附註11)。

於出售日期，上述附屬公司的資產淨值如下：

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

36. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS

36. 可換股債券及衍生金融工具

(a) Convertible bonds

(a) 可換股債券

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Net carrying amount as at 1 January	於一月一日的賬面淨值	-	-
Issue of convertible bonds (the "CB 2018")	發行可換股債券(「二零一八年可換股債券」)	550,530	-
Interest expense	利息開支	13,258	-
Interest paid	已付利息	(4,602)	-
Net carrying amount as at 31 December	於十二月三十一日的賬面淨值	559,186	-

On 6 November 2016, the Company entered into a Convertible Bonds Subscription Agreement (the "Agreement") with a third party, Chance Talent Management Limited (the "Subscriber"). Pursuant to the Agreement, the Subscriber agreed to acquire the CB 2018 with aggregate principal amount of US\$100 million at interest rate of 5.5% per annum, payable by the Company semi-annually in arrears from the issue date. The maturity date is on the second anniversary of the issue date. The CB 2018 were issued to the Subscriber on 18 November 2016.

The bondholder has the right to convert the CB 2018 in whole or in part into shares at any time on or after the issue date of the CB 2018 up to the respective maturity. 281,159,420 new shares will be issued upon full conversion of the CB 2018 based on the initial conversion price of HK\$2.76.

The CB 2018 will be redeemed on maturity at a value equal to the amount equal to the aggregate of (a) the aggregate principal amount of such outstanding CB 2018; (b) any accrued but unpaid interest on such outstanding CB 2018 on the redemption date (other than default interest); and (c) (if the sum of the amounts referred to above (a) and (b) fall short of making up an internal rate of return of 8% on the aggregate principal amount of CB 2018) such additional amount which would make up an internal rate of 8% on the aggregate principal amount of CB 2018.

Further details of the terms and conditions of the CB 2018 were disclosed in the announcements of the Company dated 6 November 2016, 8 November 2016 and 18 November 2016 respectively.

於二零一六年十一月六日，本公司與一名第三方 Chance Talent Management Limited (「認購人」) 訂立一份可換股債券認購協議(「該協議」)。根據該協議，認購人同意收購本金總額為1億美元、按年利率5.5%計息的二零一八年可換股債券，利息自發行日期起於每半年末由本公司支付。到期日為發行日期起計滿兩週年。二零一八年可換股債券於二零一六年十一月十八日發行予認購人。

債券持有人有權於二零一八年可換股債券發行日期當日或之後至相關到期日止隨時將全部或部份二零一八年可換股債券轉換為股份。281,159,420股新股份將於二零一八年可換股債券獲悉數轉換後按初步兌換價2.76港元發行。

二零一八年可換股債券將於到期日贖回，價值等同相等於下列總和之金額(a)有關未轉換二零一八年可換股債券之本金總額；(b)任何有關未轉換二零一八年可換股債券於贖回日期之應計但未付利息(違約利息除外)；及(c) (倘上文(a)及(b)項所述款項之總和不足以令內部回報率達二零一八年可換股債券本金總額之8%)將令內部回報率達二零一八年可換股債券本金總額8%之有關額外金額。

二零一八年可換股債券的條款及條件的進一步詳情於本公司日期分別為二零一六年十一月六日、二零一六年十一月八日及二零一六年十一月十八日的公告內披露。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

36. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

(a) Convertible bonds (Cont'd)

The CB 2018 contains two components, debt component and derivative component. The effective interest rates of the debt component is 19.98% per annum. The derivative component is measured at fair value with changes in fair value recognised in profit and loss.

(b) Derivative financial instruments

	2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Net carrying amount as at 1 January	-	-
Embedded derivatives at the date of issue of convertible bonds	135,518	-
Gain arising on changes in fair value	(15,022)	-
Net carrying amount as at 31 December	120,496	-

The methods and assumptions applied for the valuation of the CB 2018 at initial recognition and at 31 December 2016 were as follows:

The fair value of the derivative financial instruments at initial recognition and as at 31 December 2016 derived by using the Binomial Option Pricing Model were approximately RMB135,518,000 and RMB120,496,000, respectively, which were determined by the directors of the Company with reference to the valuation performed by Asset Appraisal Limited, a firm of independent professional valuers with appropriate qualifications and recent experiences in the valuation of similar derivative instruments with reference to market values. During the year ended 31 December 2016, the Group recognised the fair value change of RMB15,022,000 in the consolidated statements of profit or loss.

The inputs used in the Binomial Option Pricing Model adopted by the independent professional valuer in determining the fair values at the respective dates were as follows:

	At date of issue	At 31 December 2016		於發行日期	於二零一六年十二月三十一日
Share price	HK\$2.49	HK\$2.39	股價	2.49港元	2.39港元
Exercise price	HK\$2.76	HK\$2.76	行使價	2.76港元	2.76港元
Expected dividend yield	0.40%	0.42%	預期股息率	0.40%	0.42%
Volatility	52.35%	52.18%	波幅	52.35%	52.18%
Risk free interest rate	0.783%	1.025%	無風險利率	0.783%	1.025%

36. 可換股債券及衍生金融工具(續)

(a) 可換股債券(續)

二零一八年可換股債券包括兩個部分(債務部分及衍生工具部分)。債務部分的實際利率為每年19.98%。衍生工具部分按公允價值及於損益中確認的公允價值變動計量。

(b) 衍生金融工具

於初步確認及於二零一六年十二月三十一日對二零一八年可換股債券進行估值時所應用的方法及假設如下：

衍生金融工具於初步確認及於二零一六年十二月三十一日採用二項式期權定價模型衍生之公允價值分別約為人民幣135,518,000元及人民幣120,496,000元，有關金額乃本公司董事參考中誠達資產評估顧問有限公司進行的估值而釐定，該公司乃擁有適當資格的獨立專業估值師，且在參考市值評估同類衍生工具方面擁有近期經驗。截至二零一六年十二月三十一日止年度，本集團於綜合損益表中確認公允價值變動人民幣15,022,000元。

獨立專業估值師於各日期釐定公允價值時所採納的二項式期權定價模型中所用的輸入數據如下：

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

37. SHARE-BASED EMPLOYEE COMPENSATION

The share option scheme adopted by the Company on 14 November 2005 expired on 13 November 2015. On 2 June 2016, the Company adopted a new share option scheme (the "Scheme") at the annual general meeting of the Company held on 2 June 2016.

Pursuant to the Scheme, the board of directors may, at its discretion, invite any executive or non-executive directors including independent non-executive directors or any employees (whether full-time or part-time) of the Company, its subsidiaries and associated companies; any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of each member of the Group or its associated companies; any consultants, professional and other advisers to each member of the Group or its associated companies (or persons, firms or companies proposed to be appointed for providing such services); any chief executives or substantial shareholders of the Company; any associates of any director, chief executive or substantial shareholder of the Company; and any employees (whether full-time or part-time) of substantial shareholders of the Company, provided that the board of directors may have absolute discretion to determine whether or not one falls within the above categories, (together, the "Participants" and each a "Participant"), to take up options ("Option(s)") to subscribe for shares at a price determined in accordance with the paragraph below.

In determining the basis of eligibility of each Participant, the board of directors would take into account such factors as the board of directors may at its discretion consider appropriate.

The Scheme shall be valid and effective for a period of ten years commencing on the date on which the Scheme is adopted, after which period no further Options will be granted but in all other respects the provisions of the Scheme shall remain in full force and effect, and Options which are granted during the life of the Scheme may continue to be exercisable in accordance with their terms of grant.

The exercise price of a share in relation to each Option granted under the Scheme shall be a price solely determined by the board of directors and notified to a Participant and shall be at least the highest of:

- (a) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the business day on which an offer is accepted by the grantee or if such date of acceptance by the grantee is not a business day, the immediately preceding business day;

37. 以股份支付的僱員薪酬

本公司於二零零五年十一月十四日採納之購股權計劃已於二零一五年十一月十三日屆滿。於二零一六年六月二日，本公司於二零一六年六月二日舉行之本公司股東週年大會上採納新購股權計劃(「該計劃」)。

根據該計劃，董事會可酌情邀請本公司、其附屬公司及聯營公司的任何執行或非執行董事，包括獨立非執行董事或任何僱員(不論全職或兼職)；本集團各成員公司或其聯營公司的任何僱員、執行或非執行董事所設立的全權信託的任何全權受益人；本集團各成員公司或其聯營公司的任何諮詢人、專業人士及其他顧問(或擬委任以提供該等服務的人士、商行或公司)；本公司任何主要行政人員或主要股東；本公司任何董事、主要行政人員或主要股東的任何聯繫人；及本公司主要股東的任何僱員(不論全職或兼職)，惟董事會可全權酌情釐定有關人士是否屬於上述類別(上述人士均稱為及合稱「參與者」)，以接納購股權(「購股權」)，並根據下文確定的價格認購股份。

於釐定各參與者的資格標準時，董事會將考慮其可能酌情認為恰當的因素。

該計劃自獲採納日期起計有效期為十年，在限期後不會再授出購股權，惟在所有其他方面，該計劃的條文仍具有十足效力及作用，於該計劃期限內授出的購股權可按其授出條款繼續行使。

根據該計劃授出之各購股權之股份行使價將為僅由董事會釐定及告知參與者之價格，以及將為以下之最高者：

- (a) 於要約獲承授人接納的營業日(或如要約獲承授人接納當日並非營業日，則為緊接該日前的營業日)聯交所日報表所報的本公司股份收市價；

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

37. SHARE-BASED EMPLOYEE COMPENSATION (Cont'd)

- (b) a price being the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an offer is accepted by the grantee (provided that the new issue price shall be used as the closing price for any business day falling within the period before listing of the shares where the Company has been listed for less than five business days as at the date on which an offer is accepted by the grantee); and
- (c) the nominal value of a Company's share.

The total number of shares, which may be issued upon exercise of all Options to be granted under the Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the total number of shares in issue on the date of commencement of dealings in the shares on the Stock Exchange ("Scheme Mandate Limit"), unless the Company obtains an approval from its shareholders. Options lapsed in accordance with the terms of the Scheme will not be counted for the purpose of calculating such 10% limit.

Notwithstanding any other provisions of the Scheme, the maximum number of the shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of shares in issue from time to time.

Unless approved by the shareholders, the total number of shares issued and to be issued upon exercise of the Options granted to each participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

Offer of an option ("Offer") shall be deemed to have been accepted by any Participant (the "Grantee") who accepts an Offer in accordance with the terms of the Scheme and the option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the Offer duly signed by the Grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the granting thereof is received by the Company within 30 days from the date upon which the Offer is made.

On 28 June 2016, the Company granted share options under the Scheme to certain Participants which will enable the Grantees to subscribe for a total of 285,800,000 ordinary shares of HK\$0.01 each in the share capital of the Company.

37. 以股份支付的僱員薪酬(續)

- (b) 緊接要約獲承授人接納前五個營業日聯交所日報表所報的本公司股份平均收市價(惟倘本公司於要約獲承授人接納當日前已上市的天數少於五個營業日，則新發行價應用作股份上市前期間任何營業日的收市價); 及
- (c) 一股本公司股份面值。

因行使根據該計劃及本公司任何其他購股權計劃授出的所有購股權可發行的股份總數，合共不得超過於聯交所開始買賣當日已發行股份總數的10% (「計劃授權限額」)，惟本公司取得股東的批准則除外。計算該10%限額並不計及根據該計劃條款已失效的購股權。

儘管該計劃另有任何其他規定，於行使該計劃及本公司任何其他購股權計劃的已授出但尚未行使的所有未行使購股權時，最多可發行的股份數目不得超過不時已發行股份總數的30%。

除非獲股東批准，於任何十二個月期間內因行使授予每名參與者的購股權(包括已行使及尚未行使的購股權)而已發行及將予發行的股份總數，不得超過已發行股份總數的1%。

任何參與者(「承授人」)凡按照該計劃的條款接納購股權要約(「要約」)，即被視為接納要約，而當載有接納要約的要約書副本由承授人妥為簽署，並在本公司作出要約當日起30日內，接獲承授人在接納購股權時須向本公司支付1.00港元作為授出購股權的代價後，與要約有關的購股權即被視為已授出並生效。

於二零一六年六月二十八日，本公司根據該計劃向若干參與者授出購股權，使承授人能夠認購本公司股本中合共285,800,000股每股面值0.01港元的普通股。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

37. SHARE-BASED EMPLOYEE COMPENSATION (Cont'd)

Details of the Options granted by the Company pursuant to the Scheme and the Options outstanding as at 31 December 2016 were as follows:

	Date of grant (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Number of options 購股權數目				Balance at 31 December 2016	Exercise price per share HK\$
			Balance at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year		
	授出日期 (日/月/年)	行使期間 (日/月/年)	於二零一六年 一月一日 的結餘	於年內授出	於年內行使	於年內失效	於二零一六年 十二月三十一日 的結餘	每股行使價 港元
Executive directors (Note 1)	28/06/2016	28/06/2016 – 27/06/2026	-	15,600,000	-	-	15,600,000	1.846
Executive directors (Note 2)	28/06/2016	28/06/2017 – 27/06/2026	-	15,600,000	-	-	15,600,000	1.846
Executive directors (Note 3)	28/06/2016	28/06/2018 – 27/06/2026	-	20,800,000	-	-	20,800,000	1.846
Employees (Note 1)	28/06/2016	28/06/2016 – 27/06/2026	-	70,140,000	-	-	70,140,000	1.846
Employees (Note 2)	28/06/2016	28/06/2017 – 27/06/2026	-	70,140,000	-	-	70,140,000	1.846
Employees (Note 3)	28/06/2016	28/06/2018 – 27/06/2026	-	93,520,000	-	-	93,520,000	1.846
			-	285,800,000	-	-	285,800,000	

Note 1: The option was vested immediately on the date of grant

Note 2: The option granted are subject to the vesting period from the date of grant up to 27 June 2017

Note 3: The option granted are subject to the vesting period from the date of grant up to 27 June 2018

The closing price of the Company's shares immediately before 28 June 2016, the date of grant, was HK\$1.820.

There are no performance condition for the Options to vest.

The fair values of the Options determined at the date of grant using the Binomial model were HK\$276,156,000 (equivalent to approximately RMB236,030,000). During the year ended 31 December 2016, the Group recognised the total expense of RMB128,404,000 in relation to share options granted by the Company.

The following assumptions were used to calculate the fair values of share options:

Grant date share price	HK\$1.820
Exercise price	HK\$1.846
Expected life	8 to 10 years
Expected volatility	64.787%
Dividend yield	0.55%
Risk free interest rate	0.965%

37. 以股份支付的僱員薪酬(續)

本公司根據該計劃授出及於二零一六年十二月三十一日尚未行使的購股權詳情如下：

	Date of grant (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Number of options 購股權數目				Balance at 31 December 2016	Exercise price per share HK\$
			Balance at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year		
	授出日期 (日/月/年)	行使期間 (日/月/年)	於二零一六年 一月一日 的結餘	於年內授出	於年內行使	於年內失效	於二零一六年 十二月三十一日 的結餘	每股行使價 港元
Executive directors (Note 1)	28/06/2016	28/06/2016 – 27/06/2026	-	15,600,000	-	-	15,600,000	1.846
Executive directors (Note 2)	28/06/2016	28/06/2017 – 27/06/2026	-	15,600,000	-	-	15,600,000	1.846
Executive directors (Note 3)	28/06/2016	28/06/2018 – 27/06/2026	-	20,800,000	-	-	20,800,000	1.846
Employees (Note 1)	28/06/2016	28/06/2016 – 27/06/2026	-	70,140,000	-	-	70,140,000	1.846
Employees (Note 2)	28/06/2016	28/06/2017 – 27/06/2026	-	70,140,000	-	-	70,140,000	1.846
Employees (Note 3)	28/06/2016	28/06/2018 – 27/06/2026	-	93,520,000	-	-	93,520,000	1.846
			-	285,800,000	-	-	285,800,000	

附註1：購股權於授出日期即時歸屬

附註2：所授出的購股權自授出日期起至二零一七年六月二十七日止之歸屬期所規限

附註3：所授出的購股權自授出日期起至二零一八年六月二十七日止之歸屬期所規限

本公司股份於緊接二零一六年六月二十八日(授出日期)前的收市價為1.820港元。

購股權並無表現條件需予歸屬。

於授出日期以二項式模型釐定的購股權公允價值為276,156,000港元(相當於約人民幣236,030,000元)。截至二零一六年十二月三十一日止年度，本集團就本公司授出之購股權確認總開支人民幣128,404,000元。

以下假設乃用於計算購股權的公允價值：

於授出日期的股價	1.820港元
行使價	1.846港元
預期年期	8至10年
預期波幅	64.787%
股息率	0.55%
無風險利率	0.965%

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

37. SHARE-BASED EMPLOYEE COMPENSATION (Cont'd)

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the best estimate of the directors of the Company. Changes in variables and assumptions may result in changes in the fair value of the Options.

38. RETIREMENT BENEFIT SCHEME

Hong Kong

The Group has joined a Mandatory Provident Fund Scheme (the "MPF Scheme") for its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

PRC

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

During the year, the retirement benefit scheme contributions amounted to RMB12,857,000 (2015: RMB10,373,000). No forfeited contributions has been used to reduce the level of contributions in both years.

39. CAPITAL RISK MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristic of the underlying assets.

The Group monitors capital on the basis of the net debt to equity ratio. For this purpose the net debt is defined as borrowings less cash and cash equivalents. The Group's goal in capital management is to maintain a net debt to equity ratio at a reasonable level. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debts.

The Group's overall strategy in capital management remains unchanged from prior year.

37. 以股份支付的僱員薪酬(續)

二項式模型已用於估計購股權的公允價值。用於計算購股權公允價值的可變因素及假設乃根據本公司董事最佳估計得出。可變因素及假設的變動可能導致購股權公允價值出現變動。

38. 退休福利計劃

香港

本集團已參加一項為其在香港之僱員設立之強制性公積金計劃(「強積金計劃」)。強積金計劃已根據強制性公積金計劃條例在強制性公積金計劃管理局註冊。強積金計劃之資產與本集團之資產分開處理，由獨立受託人管理之基金持有。根據強積金計劃之規則，僱主及僱員須分別按規則指定之比率對強積金計劃供款。本集團就強積金計劃承擔之責任僅限於根據強積金計劃規定作出指定供款。

自綜合損益表中扣除有關強積金計劃之退休福利計劃供款乃本集團按該計劃規則訂明之比率須撥入基金之供款額。

中國

本集團中國附屬公司之僱員參與中國政府營運之國家管理退休福利計劃。附屬公司須按僱員薪金之若干比率向國家管理退休福利計劃供款。本集團就該退休福利計劃承擔之責任僅限於根據該計劃作出指定供款。

年內，退休福利計劃供款為人民幣12,857,000元(二零一五年：人民幣10,373,000元)。概無利用沒收供款減低兩個年度內之供款水平。

39. 資本風險管理

本集團管理資本的主要目標是保障本集團可持續經營能力，以不斷為股東提供回報及為其他利益相關方帶來利益。方法包括依照風險水平釐定物業價格，及以合理的成本進行融資。

本集團根據經濟狀況的變動及相關資產的風險特性管理資本結構並作出相應調整。

本集團按淨負債權益比率的基準監察其資本。就此而言，淨負債的定義為借貸減現金及現金等價物。本集團資本管理的目標為將淨負債權益比率維持於合理的水平。為維持或調整資本結構，本集團可調整派付予股東的股息款額、發行新股份、退還股本予股東、籌集新債務融資或出售資產減債。

自上年度起，本集團資本管理的整體策略維持不變。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

40. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

40. 財務風險管理的政策及目標

Categories of financial instruments

金融工具類別

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Financial assets	金融資產		
Loans and receivables (including bank balances and cash)	貸款及應收款項(包括銀行結餘及現金)	5,532,338	4,316,888
Available-for-sale investments	可供出售投資	561,048	343,267
Financial liabilities	金融負債		
Financial liabilities measured at amortised cost	按攤銷成本計量的金融負債	13,227,074	9,653,453
Derivative financial instruments	衍生金融工具	120,496	-

The Group is exposed to a variety of financial risks: currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management focuses on unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group currently does not have any written risk management policies and guidelines. However, the directors of the Company meets periodically to analyse and formulate strategies to manage and monitor financial risks.

本集團承受多種財務風險：貨幣風險、利率風險、信貸風險及流動資金風險。本集團的整體風險管理重點在於金融市場的不可預測性，並尋求將對本集團財務表現的潛在不利影響降至最低。本集團現時並無任何明文的風險管理政策及指引。然而，本公司董事定期召開會議，以分析及制定措施以管理及監控財務風險。

The Group is not engaged in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed are described below.

本集團並無從事以投機為目標的金融資產買賣。本集團所面對的最主要財務風險載列如下。

40.1 Currency risk

40.1 貨幣風險

The Group reports its results in RMB. The Group's primary foreign currency exposure arises from its property development and investment activities in the PRC. The functional currency of these operations is RMB and most of the financial instruments are denominated in RMB. No foreign currency risk has been identified for the financial assets and financial liabilities in the PRC as they were denominated in a currency same as the functional currencies of the group entities to which these transactions relate.

本集團的業績以人民幣呈列。本集團的主要外匯風險來自其於中國的物業發展及投資活動。該等業務的功能貨幣為人民幣，而大部分金融工具亦以人民幣列值。由於位於中國的金融資產及金融負債乃以與該等交易所涉及的集團實體功能貨幣相同的貨幣列值，故並無就位於中國的金融資產及金融負債確認外匯風險。

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date as follows:

本集團以外幣計值之貨幣資產及貨幣負債於報告日期之賬面值如下：

		Assets 資產		Liabilities 負債	
		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
USD	美元	332,423	76	625,731	63,409
HKD	港元	123,741	184,331	672,983	145,827

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

40. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Cont'd)

40.1 Currency risk (Cont'd)

Sensitivity analysis

The Group is mainly exposed to the currency of HKD and USD.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to directors of the Company's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items assuming the balances at the end of the reporting period outstanding for the whole year and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
USD	美元		
Profit or loss	損益	1,467	2,375
HKD	港元		
Profit or loss	損益	2,746	(1,444)

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

40.2 Interest rate risk

The Group has significant borrowings (see *note 30* for details) with floating interest rate which are exposed to cash flow interest-rate risk. Loans from non-controlling interests (see *note 30* for details), certain bank loans and certain other borrowings, restricted bank deposits and bank balances carried at fixed rate expose the Group to fair value interest rate risk. During the year, the Group has not hedged its cash flow and fair value interest rate risks.

40. 財務風險管理的政策及目標(續)

40.1 貨幣風險(續)

敏感度分析

本集團主要面臨港元及美元貨幣風險。

下表詳述本集團對人民幣兌相關外幣增減5%的敏感度。5%為向本公司董事內部匯報外幣風險時所使用的敏感度比率，反映本公司董事對外幣匯率出現合理可能變動之評估。

敏感度分析僅包括以外幣折算之尚未支付貨幣項目(假設報告期末尚未結算結餘於整個年度未結算)，並於年結時以外幣匯率變動5%作匯兌調整。下列之正數數字反映人民幣兌有關外幣升值5%時，盈利會有所增加。人民幣兌有關外幣貶值5%時，盈利將構成等值及相反影響，而下列結餘將為負數。

管理層認為，由於年末風險不反映年內風險，故敏感度未能代表內在的外幣風險。

40.2 利率風險

本集團有以浮息利率計算的重大借貸(詳情見附註30)承受現金流量利率風險。來自非控股權益貸款(詳情見附註30)、若干銀行貸款及若干其他借貸、受限制銀行存款及固定利率銀行結餘使本集團承受公允價值利率風險。年內，本集團並無對沖其現金流量及公允價值利率風險。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

40. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Cont'd)

40.2 Interest rate risk (Cont'd)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate borrowings at the end of the reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2015: 50) basis point increase or decrease is used when reporting interest rate risk internally to directors of the Company's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 (2015: 50) basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by approximately RMB32,649,000 (2015: RMB11,105,000).

Sensitivity analysis on bank deposits is not presented as the directors of the Company consider that the Group's exposure to interest rate fluctuations on bank deposits is insignificant.

40.3 Credit risk

As at 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 43.

The Group's credit risk is primarily attributable to its accounts and other receivables, amounts due from related companies and amount of contingent liabilities in relation to the financial guarantees provided by the Group. The amounts presented in the consolidated statement of financial position are net of allowances for bad and doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers, except for as at 31 December 2016 and amounts due from related parties of RMB317,089,000 (2015: RMB888,544,000). The credit risk on liquid funds is limited because the funds have been deposited with various creditworthy financial institutions located in Hong Kong and in the PRC.

40. 財務風險管理的政策及目標(續)

40.2 利率風險(續)

敏感度分析

以下敏感度分析乃根據浮息銀行貸款於報告期末面對之利率風險釐定。分析乃假設報告期末負債餘額於整個年度尚未償還而編製。向本公司董事內部申報利率風險時採用50(二零一五年:50)個基點增減,反映本公司董事對利率合理可能出現之變動之評估。

倘利率增加/減少50(二零一五年:50)個基點而所有其他變數維持不變,本集團年度之除稅後盈利將減少/增加約人民幣32,649,000元(二零一五年:人民幣11,105,000元)。

銀行存款之敏感度分析並未呈列,因本公司董事認為利率浮動風險對本集團銀行存款並不重大。

40.3 信貸風險

於二零一六年十二月三十一日,由於交易方未有履行責任及本集團提供財務擔保而對本集團造成財務損失的最大信用風險承擔由綜合財務狀況報表所載各確認金融資產的賬面值及與本集團所發出財務擔保有關係的或然負債金額而產生,於附註43中作出披露。

本集團信貸風險主要來自有關本集團提供財務擔保之應收賬款及其他應收款項、應收關聯公司款項及或然負債款項。綜合財務狀況報表所示金額已扣除呆壞賬撥備,由本集團管理層根據過往經驗及對當時經濟環境的評估作出估計。

本集團並無重大集中之信貸風險,且其他交易方及客戶數目眾多,能夠分散風險,惟於二零一六年十二月三十一日應收關聯方款項人民幣317,089,000元(二零一五年:人民幣888,544,000元)。由於資金存放於香港及中國具良好信譽的金融機構,故有關流動資金的信貸風險有限。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

40. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Cont'd)

40.4 Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In the opinion of the directors of the Company, the Group does not have any significant liquidity risk exposure.

The Group's policy is to regularly monitor its liquidity requirements to ensure that the Group maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term financial liabilities.

The following tables show the remaining contractual maturities at the end of the reporting period of the non-derivative financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Company can be required to pay.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

40. 財務風險管理的政策及目標(續)

40.4 流動資金風險

於管理流動資金風險時，本集團監控及維持現金及現金等價物達到管理層認為充足的水平，以便為本集團業務提供資金及減低現金流量波動的影響。本公司董事認為，本集團並無任何重大流動資金風險。

本集團的政策為定期監控其流動資金需要，以確保本集團維持充裕現金儲備來滿足其短期及長期金融負債的流動資金需要。

下表列示按未折現現金流量(包括按合約利率或(如為浮息)按報告期末的現行利率計算的利息金額)可能須還款的最早日期呈列的本公司於報告期末的非衍生金融負債的餘下合約期限。

具體而言，對於涵蓋銀行可全權酌情行使的按要求償還條款的定期貸款，有關分析按本集團可被要求還款的最早期間(即倘貸方擬行使其無條件權利要求即時償還貸款)呈列現金流出，其他銀行借貸的到期日分析則按計劃還款日期編製。

	Weighted average effective interest rate	Less than 1 year or on demand	After 1 years but less than 2 years	After 2 years but less than 5 years	After 5 years	Total contractual undiscounted cash flows	Carrying amount
	加權平均實際利率	一年內或按要求的 RMB'000 人民幣千元	一年以上兩年以內 RMB'000 人民幣千元	兩年以上五年以內 RMB'000 人民幣千元	五年後 RMB'000 人民幣千元	未折現金流量 總額 RMB'000 人民幣千元	賬面值 RMB'000 人民幣千元
2016							
Non-derivative financial liabilities							
Accounts payable		921,438	-	-	-	921,438	921,438
Accruals and other payables		220,617	108,566	-	-	329,183	329,183
Bank and other borrowings	5.62%	4,169,624	2,559,298	4,705,079	1,849,577	13,283,578	11,350,723
Loans from non-controlling interests		66,544	-	-	-	66,544	66,544
Debt component of convertible bonds	19.98%	38,177	727,707	-	-	765,884	559,186
Financial guarantee contracts (note 44)		2,479,495	-	-	-	2,479,495	-
		7,895,895	3,395,571	4,705,079	1,849,577	17,846,122	13,227,074

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

40. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Cont'd)

40. 財務風險管理的政策及目標(續)

40.4 Liquidity risk (Cont'd)

40.4 流動資金風險(續)

	Weighted average effective interest rate 加權平均實際利率	Less than 1 year or on demand 一年內或按要 RMB'000 人民幣千元	After 1 years but less than 2 years 一年以上兩年以內 RMB'000 人民幣千元	After 2 years but less than 5 years 兩年以上五年以內 RMB'000 人民幣千元	After 5 years 五年後 RMB'000 人民幣千元	Total contractual undiscounted cash flows 未折現金約 現金流量總額 RMB'000 人民幣千元	Carrying amount 賬面值 RMB'000 人民幣千元
2015 二零一五年							
Non-derivative financial liabilities 非衍生金融負債							
Accounts payable 應付賬款	-	1,102,296	-	-	-	1,102,296	1,102,296
Accruals and other payables 應計費用及其他應付款項	-	201,742	115,534	-	-	317,276	317,276
Bank and other borrowings 銀行及其他借貸	6.55%	2,122,940	3,185,253	2,024,136	2,076,240	9,408,569	8,150,345
Loans from non-controlling interests 非控股權益貸款	-	63,409	-	-	20,127	83,536	83,536
Financial guarantee contracts (note 44) 財務擔保合約(附註44)	-	2,140,334	-	-	-	2,140,334	-
		5,630,721	3,300,787	2,024,136	2,096,367	13,052,011	9,653,453

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

上述計入財務擔保合約的款項為倘交易對方追討有關擔保，本集團根據安排就全部擔保須支付的最高金額。按照報告期末預期，本集團認為根據安排須要繳付該款項的可能性很低。然而，這估計可能會改變，取決於持有已擔保財務應收賬款的交易對方遭受信貸損失而按擔保條款追討的可能性。

The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in as above. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

下表概述附有按要償還條款的定期貸款按貸款協議載列的議定還款日期的到期日分析。該等金額包括按合約利率計算的利息款項。因此，該等金額較以上所載到期日分析中「按要」時間範圍內披露的金額為高。鑒於本集團的財務狀況，董事認為銀行不大可能行使其酌情權要求即時還款。董事相信該等定期貸款將按貸款協議所載的既定還款日期償還。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

40. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Cont'd)

40.4 Liquidity risk (Cont'd)

Maturity analysis of term loans subject to a repayment on demand clause based on scheduled repayments is as follows:

		On demand	Less than 6 months	6 to 12 months	1 to 5 years	Total undiscounted cash flows	Carrying amount
		按要求	少於六個月	六個月至十二個月	一年至五年	未折現現金流量總額	賬面值
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
31 December 2016	二零一六年十二月三十一日	249	43,902	45,217	-	89,368	87,609
31 December 2015	二零一五年十二月三十一日	-	299	299	847	1,445	1,365

40.5 Price risk

The Group is exposed to price risk in connection with the available-for-sale investments, which are public listed equity securities in the PRC. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's financial statements.

If price of equity securities has been 5% higher/lower and all other variables were held constant, the Group's investment revaluation reserve would increase/decrease by approximately RMB21,039,000 (2015: nil). The available-for-sale investments were measured at cost less impairment in 2015.

40.6 Fair value measurement of financial instrument

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

40. 財務風險管理的政策及目標(續)

40.4 流動資金風險(續)

附有按要求償還條款的定期貸款按既定還款日期的到期日分析如下：

40.5 價格風險

本集團承受與可供出售投資相關之價格風險，有關可供出售投資為於中國的公開上市股權證券。本集團密切監察價格浮動及評估有關浮動對本集團財務報表之影響。

倘股權證券價格增加／減少5%，而所有其他變數維持不變，本集團之投資重估儲備將增加／減少約人民幣21,039,000元(二零一五年：無)。於二零一五年，可供出售投資按成本扣除減值計量。

40.6 金融工具的公允價值計量

本附註提供有關本集團如何釐定多項金融資產及金融負債公允價值的資料。

按經常性基準以公允價值計量的本集團金融資產及金融負債的公允價值

本集團部分金融資產及金融負債於各報告期末按公允價值計量。下表提供有關如何釐定該等金融資產及金融負債公允價值的資料(尤其是所採用的估值技術及輸入數據)。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

40. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Cont'd)

40. 財務風險管理的政策及目標(續)

40.6 Fair value measurement of financial instrument (Cont'd)

40.6 金融工具的公允價值計量(續)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Cont'd)

按經常性基準以公允價值計量的本集團金融資產及金融負債的公允價值(續)

Financial assets/ financial liabilities	金融資產/ 金融負債	Fair value as at 31 December 於十二月三十一日的公允價值		Fair value hierarchy 公允價值等級	Valuation technique(s) and key input(s) 估值技術及主要輸入數據	Significant unobservable input(s) 主要不可觀察輸入數據
		2015 二零一五年 RMB'000 人民幣千元	2016 二零一六年 RMB'000 人民幣千元			
Derivative financial instruments	衍生金融工具	-	120,496	Level 3 第三級	Binomial option pricing model The fair value is estimated based on the risk free rate, discount rate, share price, volatility of the share price of the Company, dividend yield and exercise price. 二項式期權定價模式 公允價值乃按無風險利率、貼現率、股價、本公司股價波幅、股息率及行使價釐定。	Volatility of the share price determined by reference to the historical share price of the Company. (Note) 經參考本公司歷史股價後釐定的股價波幅。(附註)
Available-for-sale investments	可供出售投資	-	561,048	Level 1 第一級	Quoted bid price in an active market. 於活躍市場之買入價報價。	N/A 不適用

Note: The higher the volatility of the share price of the Company, the higher the fair value of the derivative financial instruments, and vice versa. For the volatility of the share price of the Company used in the fair value measurement for derivative financial instruments, please refer to note 36.

附註：本公司股價波幅愈高，衍生金融工具的公允價值則愈高，反之亦然。有關衍生金融工具公允價值計量所採用的本公司股價波幅，請參閱附註36。

There is no transfer between different levels of the fair value hierarchy for the years ended.

於截至該等年度期間，公允價值等級各級之間概無轉移。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

40. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Cont'd)

40.6 Fair value measurement of financial instrument (Cont'd)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Cont'd)

Reconciliation of Level 3 fair value measurements

		Conversion option derivative 兌換期權 衍生工具 RMB'000 人民幣千元
As at 1 January 2015, 31 December 2015 and 1 January 2016	於二零一五年一月一日、二零一五年十二月三十一日及二零一六年一月一日	-
Issue	發行	135,518
Fair value gain recognised in profit or loss	於損益確認的公允價值收益	(15,022)
As at 31 December 2016	於二零一六年十二月三十一日	120,496

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors of the Company consider that the carrying amounts of financial assets and liabilities recorded as amortised cost in the consolidated financial statements approximate to their fair values.

The fair value of such financial assets and financial liabilities (categories within Level 3 hierarchy) are determined in accordance with general accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

40.6 金融工具的公允價值計量(續)

按經常性基準以公允價值計量的本集團金融資產及金融負債的公允價值(續)

第三級公允價值計量的對賬

		Conversion option derivative 兌換期權 衍生工具 RMB'000 人民幣千元
As at 1 January 2015, 31 December 2015 and 1 January 2016	於二零一五年一月一日、二零一五年十二月三十一日及二零一六年一月一日	-
Issue	發行	135,518
Fair value gain recognised in profit or loss	於損益確認的公允價值收益	(15,022)
As at 31 December 2016	於二零一六年十二月三十一日	120,496

並非按經常性基準以公允價值計量(但須作出公允價值披露)的金融資產及金融負債的公允價值

本公司董事認為，於綜合財務報表內按攤銷成本列賬的金融資產及負債的賬面值與其公允價值相若。

有關金融資產及金融負債的公允價值(第三級等級範圍內的類別)乃根據基於貼現現金流量分析的一般公認定價模式釐定，其中最重要的輸入數據為反映交易對手信貸風險的貼現率。

41. COMMITMENTS

(a) Capital and other commitments

At the end of the reporting period, the Group has the following commitments:

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Contracted but not provided for:	已訂約但未撥備：		
– Investment properties under development and properties under development for sale	– 在建投資物業及發展中待售物業	926,526	1,520,840
– Acquisition of equity interest (Note)	– 收購股權(附註)	1,890,000	-
		2,816,526	1,520,840

41. 承擔

(a) 資本及其他承擔

於報告期末，本集團有以下承擔：

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Contracted but not provided for:	已訂約但未撥備：		
– Investment properties under development and properties under development for sale	– 在建投資物業及發展中待售物業	926,526	1,520,840
– Acquisition of equity interest (Note)	– 收購股權(附註)	1,890,000	-
		2,816,526	1,520,840

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

41. COMMITMENTS (Cont'd)

(a) Capital and other commitments (Cont'd)

Note: On 11 November 2016, Zone Asia Investments (HK) Limited ("Purchaser"), an indirect wholly-owned subsidiary of the Company, entered into the sales and purchase agreement with an independent third party ("Vendor"), pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase 100% equity interest in Apex at the consideration of RMB2,100 million. Apex held 100% interest in of Zhu Hai Kai Wei Zhi Ye Limited ("珠海凱威置業有限公司") which is engaged in property development in the PRC. A deposit of RMB210,000,000 has been paid as at 31 December 2016 (note 19).

(b) Operating lease arrangements

(i) The Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings which are receivable as follows:

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Within one year	一年內	418,318	396,608
In the second to fifth years	第二至五年	781,172	724,945
Over five years	多於五年	183,692	303,129
		1,383,182	1,424,682

The Group leases out its investment properties under operating lease arrangements which run for initial periods of less than one year to eighteen years (2015: less than one year to eighteen years) or expire at dates as mutually agreed between the Group and the respective tenants, without an option to renew the lease terms at the expiry date. The terms of the leases generally also require the tenants to pay security deposits.

(ii) The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings which are payable as follows:

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Within one year	一年內	21,900	26,033
In the second to fifth years	第二至五年	75,552	77,819
Over five years	多於五年	25,137	42,881
		122,589	146,733

The Group leases a number of properties under operating lease arrangements which run for initial periods of one year to eight years (2015: one year to eight years) or expire at dates as mutually agreed between the Group and the respective landlords, without an option to renew the lease terms at the expiry date.

41. 承擔(續)

(a) 資本及其他承擔(續)

附註：於二零一六年十一月十一日，崇亞投資(香港)有限公司(「收購方」，為本公司之間接全資附屬公司)與獨立第三方(「賣方」)訂立買賣協議，據此，賣方已同意出售而收購方已同意購買Apex的100%股權，代價為人民幣21億元。Apex於珠海凱威置業有限公司擁有100%權益，珠海凱威置業有限公司於中國從事物業開發。於二零一六年十二月三十一日，已支付按金人民幣210,000,000元(附註19)。

(b) 經營租賃安排

(i) 本集團根據不可撤銷經營租賃應收土地及樓宇的未來最低租金收入總額如下：

	2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Within one year	418,318	396,608
In the second to fifth years	781,172	724,945
Over five years	183,692	303,129
	1,383,182	1,424,682

本集團根據經營租賃安排出租其投資物業，初步為期少於一年至十八年(二零一五年：少於一年至十八年)或按本集團與相關租戶共同協定的日期屆滿，惟並無附帶於屆滿日續租的選擇權。租約條款一般亦規定租戶支付保證按金。

(ii) 本集團根據不可撤銷經營租賃應付土地及樓宇的未來最低租金費用總額如下：

	2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Within one year	21,900	26,033
In the second to fifth years	75,552	77,819
Over five years	25,137	42,881
	122,589	146,733

本集團根據經營租賃安排租賃多項物業，初步為期一年至八年(二零一五年：一年至八年)或按本集團與相關業主共同協定的日期屆滿，惟並無附帶於屆滿日續租的選擇權。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

42. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to secure banking facilities granted to the Group.

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Properties under development for sale	發展中待售物業	2,329,077	1,296,425
Properties held for sale	待售物業	-	341,228
Investment properties	投資物業	8,979,534	8,762,610
Property, plant and equipment	物業、廠房及設備	273,241	-
Pledged deposits	抵押存款	1,123,098	413,032
		12,704,950	10,813,295

43. CONTINGENT LIABILITIES

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owned by the defaulted purchasers to the banks.

The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends upon the earlier of the buyer obtained the individual property ownership certificate and the full settlement of mortgage loans by the buyer.

The maximum outstanding amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties, at the end of the reporting period is RMB2,479,495,000 (2015: RMB2,140,334,000).

The directors of the Company consider that it is not probable that the Group will sustain a loss under these guarantees as during the periods under guarantees, the Group can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default payments to the banks.

42. 資產抵押

於報告期末，本集團已抵押以下資產擔保本集團獲授之銀行融資。

43. 或然負債

本集團為若干銀行就本集團物業買方訂立的按揭貸款而授出的按揭融資提供擔保。根據擔保條款，倘該等買方拖欠按揭付款，則本集團須負責償還尚未償付的按揭貸款連同違約買方應付銀行的任何應計利息及罰金。

本集團的擔保期由相關按揭貸款授出日期起，直至買家取得個人房產權證及悉數清償按揭貸款(以較早者為準)時為止。

於報告期末，就本集團物業買方獲授的按揭融資而向銀行作出擔保的最高尚未償還金額為人民幣2,479,495,000元(二零一五年：人民幣2,140,334,000元)。

本公司董事認為本集團於擔保期間不大可能因該等擔保而遭受虧損，而本集團可接管有關物業的所有權並將之出售，以收回本集團向銀行支付的任何金額。由於董事認為該等擔保的公允價值微不足道，故本集團並未就該等擔保確認任何遞延收入。董事亦認為，倘買方拖欠償還銀行貸款，相關物業的公允市值足以彌補本集團所擔保的未償還按揭貸款。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

44. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

The Group had the following transactions with a related party:

	2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Development cost charged by Shenzhen Forsafe System Technology Co., Ltd., an entity controlled by ultimate controlling party	1,570	895

(b) Balance with related parties

Details of the balances with related parties at the end of the reporting period are disclosed in the consolidated statement of financial position and notes 16, 24, 29 and 30.

(c) Key management personnel compensation

The directors are of the opinion that the key management personnel were solely the directors of the Company. Remuneration paid to the Company's directors is disclosed in note 10.

(d) Guarantees provided by related parties

Certain secured bank loan with amounts of RMB678,000,000 (2015: RMB1,234,000,000) was jointly secured by properties owned by related companies controlled by Mr. Wong.

During the year ended 31 December 2015, a secured bank loan with an amount of RMB500,000,000 was jointly secured by certain properties owned by Ms. He Yaxing, the spouse of the ultimate controlling party.

(e) Pledged deposits for letters of credit issued by the immediate holding company

During the year ended 31 December 2015, the Group placed pledged deposits of RMB195,000,000 for the letters of credit issued by the immediate holding company of the Company. There is no pledged deposits for letters of credit issued by the immediate holding company in current year.

44. 關聯方交易

(a) 與關聯方進行的交易

本集團與關聯方進行的交易如下：

	2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Development cost charged by Shenzhen Forsafe System Technology Co., Ltd., an entity controlled by ultimate controlling party	1,570	895

(b) 關聯方之結餘

於報告期末與關聯方之結餘詳情於綜合財務狀況報表及附註16、24、29及30中披露。

(c) 主要管理人員薪酬

董事認為，主要管理人員僅包括本公司董事。已付本公司董事的薪酬於附註10中披露。

(d) 關聯方提供的擔保

若干金額為人民幣678,000,000元(二零一五年：人民幣1,234,000,000元)之有抵押銀行貸款由黃先生控制的關聯公司擁有之物業作共同抵押。

截至二零一五年十二月三十一日止年度，金額為人民幣500,000,000元的有抵押銀行貸款由何亞興女士(最終控股方之配偶)擁有的若干物業作共同抵押。

(e) 直接控股公司發出的信用證提供抵押存款

截至二零一五年十二月三十一日止年度，本集團就本公司的直接控股公司發出之信用證存入抵押存款人民幣195,000,000元。本年度概無就直接控股公司發出之信用證存入抵押存款。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

45. 本公司財務狀況表

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Non-current assets	非流動資產		
Investments in subsidiaries	於附屬公司的投資	3,381,353	101,030
Amount due from a subsidiary	應收一間附屬公司款項	8,766,102	-
		12,147,455	101,030
Current assets	流動資產		
Amounts due from subsidiaries	應收附屬公司款項	1,013,326	12,193,501
Deposits paid, prepayments and other receivables	已付按金、預付款項及其他應收款項	2,893	2,457
Bank balances and cash	銀行結餘及現金	306,918	86,120
		1,323,137	12,282,078
Current liabilities	流動負債		
Accruals and other payables	應計費用及其他應付款項	12,753	(15,402)
Amounts due to subsidiaries	應付附屬公司款項	4,472	-
Borrowings	借貸	86,767	-
		103,992	(15,402)
Net current assets	流動資產淨額	1,219,145	12,266,676
Total assets less current liabilities	總資產減流動負債	13,366,600	12,367,706
Non-current liabilities	非流動負債		
Convertible bonds	可換股債券	559,186	-
Derivative financial instruments	衍生金融工具	120,496	-
		679,682	-
Net assets	資產淨額	12,686,918	12,367,706
Capital and reserves	資本及儲備		
Share capital	股本	39,115	39,115
Reserves	儲備	12,647,803	12,328,591
Total equity	總權益	12,686,918	12,367,706

HUANG Jingshu
黃敬舒
DIRECTOR
董事

DENG Chengying
鄧承英
DIRECTOR
董事

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Cont'd)

45. 本公司財務狀況表(續)

Note:

附註：

Details of the movement in the Company's share capital and reserves are set out below:

本公司股本及儲備變動之詳情載列如下：

		Share capital	Share premium	Convertible preference share	Share option reserve	Exchange reserve	Contributed surplus	Retained profits	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Balance as at 1 January 2015	於二零一五年一月一日之結餘	11,070	463,134	-	-	948	(18)	84,498	559,632
Loss for the year	年度虧損	-	-	-	-	-	-	(44,310)	(44,310)
Exchange differences arising from translation	匯兌產生的換算差額	-	-	-	-	29,217	-	-	29,217
Arising from issue of placing shares (note 31)	發行配售股份而產生(附註31)	6,779	1,476,557	-	-	-	-	-	1,483,336
Arising from the Transaction (defined in note 32 (iii))	自該交易產生(定義見附註32(iii))								
- issue of consideration shares	- 發行代價股份	21,266	4,359,451	-	-	-	-	-	4,380,717
- issue of convertible preference shares	- 發行可換股優先股	-	-	5,959,114	-	-	-	-	5,959,114
Balance as at 31 December 2015	於二零一五年十二月三十一日之結餘	39,115	6,299,142	5,959,114	-	30,165	(18)	40,188	12,367,706
Profit for the year	年度盈利	-	-	-	-	-	-	230,924	230,924
Recognition of equity-settled share-based payments	確認以股權結算以股份支付之付款	-	-	-	128,404	-	-	-	128,404
Dividend declared and made	已宣派及派付之股息	-	-	-	-	-	-	(40,116)	(40,116)
Balance as at 31 December 2016	於二零一六年十二月三十一日之結餘	39,115	6,299,142	5,959,114	128,404	30,165	(18)	230,996	12,686,918

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries, each of which is a limited liability company, as at 31 December 2016 and 2015 are as follows:

46. 主要附屬公司的詳情

於二零一六年及二零一五年十二月三十一日主要附屬公司(均為有限公司)的詳情如下:

Name of subsidiary 附屬公司名稱	Place of incorporation/ establishment 註冊成立/ 成立地點	Issued and fully paid ordinary share capital/ registered capital 已發行及繳足 普通股/註冊資本	Effectively attributable equity interest		Principal activities (Place of operations) 主要業務(營業地點)
			Directly 直接	Indirectly 間接	
LVGEM (Suzhou) Real Estate Investment Company Limited 綠景(蘇州)地產投資有限公司	HK 香港	156 shares of HK\$1 each 156股每股面值1港元之股份	-	100% (2015: 100%) (二零一五年: 100%)	Administration vehicle of the Group (HK) 處理本集團行政工作(香港)
Prosper View Group Limited* ("PVGL") 協朗集團有限公司*(「協朗」)	HK 香港	10,000 shares of HK\$1 each 10,000股每股面值1港元之股份	-	51% (2015: 51%) (二零一五年: 51%)	Investment holding (HK) 投資控股(香港)
Suzhou Garden Villa Development & Management Co., Ltd. 蘇州錦華苑建設發展管理有限公司	PRC (Note (a)) 中國(附註(a))	US\$20,550,000 20,550,000美元	-	95% (2015: 95%) (二零一五年: 95%)	Properties development and investment (PRC) 物業發展及投資(中國)
Suzhou New Heritage GF Limited ("SNHGF") 蘇州新禧地產有限公司(「蘇州新禧」)	PRC (Note (b)) 中國(附註(b))	US\$26,600,000 26,600,000美元	-	61% [#] (2015: 61% [#]) (二零一五年: 61% [#])	Properties development and investment (PRC) 物業發展及投資(中國)
Suzhou New Heritage WZA Limited 蘇州新禧地產有限公司	PRC (Note (b)) 中國(附註(b))	US\$8,000,000 8,000,000美元	-	100% (2015: 100%) (二零一五年: 100%)	Properties development and investment (PRC) 物業發展及投資(中國)
New Heritage WJA Limited 吳江新禧地產有限公司	PRC (Note (b)) 中國(附註(b))	US\$13,000,000 13,000,000美元	-	100% (2015: 100%) (二零一五年: 100%)	Properties development and investment (PRC) 物業發展及投資(中國)
Shenzhen LVGEM Asset Management Co., Ltd. 深圳市綠景資產管理有限公司	PRC (Note (b)) 中國(附註(b))	RMB6,000,000 人民幣6,000,000元	-	100% (2015: 100%) (二零一五年: 100%)	Property management service (PRC) 物業管理服務(中國)
Shenzhen LVGEM Hotel Co., Ltd. 深圳市綠景酒店有限公司	PRC (Note (b)) 中國(附註(b))	RMB10,000,000 人民幣10,000,000元	-	100% (2015: 100%) (二零一五年: 100%)	Hotel operation services (PRC) 酒店營運服務(中國)
Shenzhen LVGEM Jiuyan Property Management Service Co., Ltd. 深圳市綠景紀元管理服務有限公司	PRC (Note (b)) 中國(附註(b))	RMB500,000 人民幣500,000元	-	100% (2015: 100%) (二零一五年: 100%)	Property management service (PRC) 物業管理服務(中國)
Shenzhen LVGEM Marketing Co., Ltd. 深圳市綠景房地產策劃有限公司	PRC (Note (b)) 中國(附註(b))	RMB1,000,000 人民幣1,000,000元	-	100% (2015: 100%) (二零一五年: 100%)	Consultancy services (PRC) 顧問服務(中國)
Shenzhen LVGEM Property Management Co., Ltd. 深圳市綠景物業管理有限公司	PRC (Note (b)) 中國(附註(b))	RMB5,000,000 人民幣5,000,000元	-	100% (2015: 100%) (二零一五年: 100%)	Property management services (PRC) 物業管理服務(中國)
Shenzhen LVGEM Real Estate Development Co., Ltd. 深圳市綠景房地產開發有限公司	PRC (Note (b)) 中國(附註(b))	RMB150,000,000 人民幣150,000,000元	-	100% (2015: 100%) (二零一五年: 100%)	Property development (PRC) 物業發展(中國)
Yiyang Zhonghe Real Estate Co., Ltd. 益陽中核置業有限公司	PRC (Note (b)) 中國(附註(b))	RMB30,000,000 人民幣30,000,000元	-	100% (2015: 100%) (二零一五年: 100%)	Property development (PRC) 物業發展(中國)

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Cont'd)

46. 主要附屬公司的詳情(續)

Name of subsidiary 附屬公司名稱	Place of incorporation/ establishment 註冊成立/ 成立地點	Issued and fully paid ordinary share capital/ registered capital 已發行及繳足 普通股本/註冊資本	Effectively attributable equity interest		Principal activities (Place of operations) 主要業務(營業地點)
			Directly 直接	Indirectly 間接	
Zhengxinglong Real Estate (Shenzhen) Co., Ltd. 正興隆房地產(深圳)有限公司	PRC (Note (b)) 中國(附註(b))	HK\$40,000,000 40,000,000港元	-	100% (2015: 100%) (二零一五年: 100%)	Property development (PRC) 物業發展(中國)
LVGEM Investment LLC LVGEM Investment LLC	United States 美國	US\$500,000 500,000美元	-	100% (2015:-) (二零一五年:-)	Hotel operation services (United States) 酒店營運服務(美國)
Wisdom Concept Development Limited 聰勁發展有限公司	HK 香港	2 shares of HK\$1 each 2股每股面值1港元之股份	-	75% (2015:-) (二零一五年:-)	Property development (HK) 物業發展(香港)
Jianmai Limited ("Jianmai") 景邁有限公司(「景邁」)	BVI 英屬維爾京群島	200 shares of US\$1 each 200股每股面值1美元之股份	-	75% (2015: 75%) (二零一五年: 75%)	Investment holding (HK) 投資控股(香港)

* The Group has an effective interest of 51% (2015: 51%) in PVGL. In the opinion of the directors, the Group has the power to control over the relevant activities of PVGL and its subsidiary and PVGL and its subsidiary are consolidated in the financial statements of the Group accordingly.

* 本集團擁有協朗的51% (二零一五年: 51%) 實際股權。董事認為，本集團有權控制協朗及其附屬公司的相關業務，因此協朗及其附屬公司已在本集團財務報表中綜合入賬。

Approximate percentage.

概約百分比

Notes:

附註:

- (a) This subsidiary is registered as a Sino-foreign cooperative joint venture under the PRC law.
- (b) These subsidiaries are registered as wholly foreign owned enterprises under the PRC law.
- (c) Except for Zhengxinglong, which issued the Bond on 26 August 2016 as disclosed in note 30, none of the remaining subsidiaries had issued any debt securities at the end of the reporting period.
- (d) The official names of the PRC subsidiaries are in Chinese. The English translation of the names is for reference only.

- (a) 該附屬公司根據中國法律登記為中外合資合營公司。
- (b) 該等附屬公司根據中國法律登記為外資獨資企業。
- (c) 除正興隆(如附註30所披露,其於二零一六年八月二十六日發行該債券)外,於報告期末,其餘附屬公司概無發行任何債務證券。
- (d) 中國附屬公司之官方名稱為中文,英文譯名僅供參考。

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results of the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

本公司董事認為,上表列出之本公司附屬公司,主要影響本集團本年度之業績或為本集團資產及負債之主要組成部分。董事認為詳細交待其他附屬公司之詳情會令篇幅過於冗長。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Cont'd)

Material non-controlling interests

Summarised consolidated financial information of PVGL and its subsidiary and Jianmai and its subsidiary that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Name of subsidiary 附屬公司名稱		Proportion of equity interest held by non-controlling interests 非控股權益持有的股權比例		Total comprehensive income (expenses) allocated to non-controlling interests 分配給非控股權益的綜合收入(支出)總額		Accumulated non-controlling interests 累計非控股權益	
		2016	2015	2016	2015	2016	2015
		二零一六年	二零一五年	二零一六年	二零一五年	二零一六年	二零一五年
				RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
PVGL and its subsidiary	協朗及其附屬公司	49%	49%	6,320	(224)	35,494	29,175
Jianmai and its subsidiary	景邁及其附屬公司	25%	25%	(2,866)	(49)	156,538	(49)
Individually immaterial subsidiaries with non-controlling interests	個別不屬重大並擁有 非控股權益的附屬公司	N/A不適用	N/A不適用	3,600	3,423	41,120	62,967
				7,054	3,150	233,152	92,093

46. 主要附屬公司的詳情(續)

重大非控股權益

有關協朗及其附屬公司以及景邁及其附屬公司(其擁有重大非控股權益)之綜合財務資料概要載列如下。下表所載財務資料概要指於集團內公司間對銷前之金額。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Cont'd)

Material non-controlling interests (Cont'd)

(i) PVGL and its subsidiary

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Current assets	流動資產	290,185	287,013
Non-current assets	非流動資產	781	805
Current liabilities	流動負債	(99,876)	(114,651)
Non-current liabilities	非流動負債	(66,544)	(66,321)
Equity	權益	124,546	106,846
Equity attributable to owners of the Company	本公司股東應佔權益	72,438	59,540
Equity attributable to non-controlling interests	非控股權益應佔權益	52,108	47,306
		124,546	106,846
Revenue	收益	157,895	68,306
Other income	其他收入	2,999	3,913
Expenses	開支	(143,194)	(63,464)
Profit for the year	年度盈利	17,700	8,755
Profit attributable to owners of the Company	本公司股東應佔盈利	12,899	7,004
Profit attributable to the non-controlling interests	非控股權益應佔盈利	4,801	1,751
Profit for the year	年度盈利	17,700	8,755
Other comprehensive expense attributable to owners of the Company and for the year	本公司股東應佔及年度其他全面開支	-	(7,462)
Total comprehensive income (expense) attributable to owners of the Company	本公司股東應佔全面收益(開支)總額	12,899	(458)
Total comprehensive income attributable to the non-controlling interests	非控股權益應佔全面收益總額	4,801	1,751
Total comprehensive income for the year	年度全面收益總額	17,700	1,293
Net cash from operating activities	經營活動所得現金淨額	112,233	132,746
Net cash from (used in) investing activities	投資活動所得(所用)現金淨額	72,989	(57,055)
Net cash inflow	現金流入淨額	185,222	75,691

Note: As at 31 December 2016, the Group held 51% (2015: 51%) equity interest in PVGL, which indirectly held 80% (2015: 80%) equity interest in SNHGF. In addition, the Group also indirectly held the remaining 20% (2015: 20%) equity interest in SNHGF. Therefore, the Group effectively held 61% (2015: 61%) in SNHGF.

附註：於二零一六年十二月三十一日，本集團持有協朗51%股權(二零一五年：51%)，協朗間接持有蘇州新綉80%股權(二零一五年：80%)。此外，本集團亦間接持有蘇州新綉餘下20%股權(二零一五年：20%)。因此，本集團實際持有蘇州新綉61%(二零一五年：61%)股權。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2016
截至二零一六年十二月三十一日止年度

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Cont'd)

Material non-controlling interests (Cont'd)

(ii) Jianmai and its subsidiary

		2016 二零一六年 RMB'000 人民幣千元	2015 二零一五年 RMB'000 人民幣千元
Current assets	流動資產	702,260	–
Non-current assets	非流動資產	–	60,169
Current liabilities	流動負債	(76,109)	(60,365)
Equity	權益	626,151	(196)
Revenue	收益	–	–
Other income	其他收入	2	–
Expenses	開支	(11,464)	(196)
Total comprehensive expense for the year	年度全面開支總額	(11,462)	(196)
Net cash outflow used in operating activities	經營活動的現金流出淨額	(712,581)	–
Net cash inflow from financing activities	融資活動的現金流入淨額	551,137	60,169
Net cash outflow used in investing activities	投資活動的現金流出淨額	–	(60,169)
Net cash outflow	現金流入淨額	(161,444)	–

46. 主要附屬公司的詳情(續)

重大非控股權益(續)

(ii) 景邁及其附屬公司

47. COMPARATIVE FIGURES

Certain comparative figures from statement of profit or loss have been reclassified to conform with the current year's presentation.

47. 比較數據

若干比較數據已自損益表重新分類，以符合本年度之呈列方式。



**TO THE SHAREHOLDERS OF
LVGEM (CHINA) REAL ESTATE INVESTMENT COMPANY LIMITED**
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of LVGEM (China) Real Estate Investment Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 45 to 137, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 applicable 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, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 judgment, 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.

Independent Auditor’s Report 獨立核數師報告

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

**致
綠景(中國)地產投資有限公司股東**
(於開曼群島註冊成立之有限公司)

本核數師(以下簡稱「我們」)已審計列載於第45至137頁綠景(中國)地產投資有限公司(以下簡稱「貴公司」)及其附屬公司(以下簡稱「貴集團」)的綜合財務報表，此綜合財務報表包括於二零一五年十二月三十一日的綜合財務狀況報表與截至該日止年度的綜合損益表、綜合損益及其他全面收益表、綜合權益變動表和綜合現金流量表，以及主要會計政策概要及其他解釋資料。

董事就綜合財務報表須承擔的責任

貴公司董事須負責根據香港會計師公會頒佈的《香港財務報告準則》及香港《公司條例》的相關披露規定編製綜合財務報表，以令綜合財務報表作出真實而公平的反映，及落實其認為編製綜合財務報表所必要的內部控制，以使綜合財務報表不存在由於欺詐或錯誤而導致的重大錯誤陳述。

核數師的責任

我們的責任是根據我們的審計對該等綜合財務報表作出意見，並按照審計業務約定書的條文僅向整體股東報告，除此之外本報告別無其他目的。我們不會就本報告的內容向任何其他人士負責或承擔任何責任。我們已根據香港會計師公會頒佈的《香港審計準則》進行審計。該等準則要求我們遵守道德規範，並規劃及執行審計，以合理確定綜合財務報表是否不存在任何重大錯誤陳述。

審計涉及執行程式以獲取有關綜合財務報表所載金額及披露資料的審計憑證。所選定的程式取決於核數師的判斷，包括評估由於欺詐或錯誤而導致綜合財務報表存在重大錯誤陳述的風險。在評估該等風險時，核數師考慮與該實體編製綜合財務報表以作出真實而公平的反映相關的內部控制，以設計適當的審計程序，但目的並非對實體內部控制的有效性發表意見。審計亦包括評價董事所採用會計政策的合適性及作出會計估計的合理性，以及評價綜合財務報表的整體列報方式。

Independent Auditor's Report

獨立核數師報告

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its 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 applicable disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
24 March 2016

我們相信，我們所獲得的審計憑證能充足和適當地為我們的審計意見提供基礎。

意見

我們認為，該等綜合財務報表已根據《香港財務報告準則》真實而公平地反映貴集團於二零一五年十二月三十一日的事務狀況及貴集團截至該日止年度的收益及現金流量，並已按照香港《公司條例》的相關披露規定妥為編製。

德勤•關黃陳方會計師行
執業會計師

香港
二零一六年三月二十四日

Consolidated Statement of Profit or Loss

綜合損益表

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

		NOTES 附註	2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Revenue	收益	6	1,210,270	5,245,348
Cost of sales	銷售成本		(574,887)	(2,819,151)
Gross profit	毛利		635,383	2,426,197
Other income	其他收入	7	60,819	23,594
Selling expenses	銷售開支		(56,501)	(51,371)
Administrative expenses	行政開支		(258,772)	(170,809)
Fair value changes on investment properties	投資物業的公允價值變動	14	473,046	887,591
Finance costs	融資成本	8	(262,868)	(218,322)
Share of results of joint ventures	應佔合營公司業績		(30)	(40)
Profit before tax	除稅前盈利	9	591,077	2,896,840
Income tax expense	所得稅開支	10	(166,492)	(1,148,266)
Profit for the year	年度盈利		424,585	1,748,574
Profit for the year attributable to:	以下人士應佔年度盈利：			
Owners of the Company	本公司股東		417,780	1,746,606
Non-controlling interests	非控股權益		6,805	1,968
			424,585	1,748,574
			RMB cents	RMB cents
			人民幣分	人民幣分 (restated) (經重列)
Earnings per share attributable to the owners of the Company during the year	年度本公司股東應佔每股盈利	13		
– Basic	– 基本		10.55	45.21
– Diluted	– 攤薄		5.66	23.91

Consolidated Statement of Profit or Loss and Other Comprehensive Income

綜合損益及其他全面收益表

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Profit for the year	年度盈利	424,585	1,748,574
Other comprehensive (expense) income	其他全面(開支)收益		
<i>Items that may be subsequently reclassified to profit or loss:</i>	隨後或會重新分類至損益之項目：		
Exchange differences arising on translation	匯兌產生的換算差額	(19,500)	510
Fair value loss on available-for-sale investments	可供出售投資之公允價值虧損	-	(165)
Other comprehensive (expense) income for the year	年度其他全面(開支)收益	(19,500)	345
Total comprehensive income for the year	年度其他全面收益總額	405,085	1,748,919
Total comprehensive income attributable to:	以下人士應佔全面收益總額：		
Owners of the Company	本公司股東	401,935	1,746,951
Non-controlling interests	非控股權益	3,150	1,968
		405,085	1,748,919

Consolidated Statement of Financial Position

綜合財務狀況報表

At 31 December 2015
於二零一五年十二月三十一日

			31 December 十二月三十一日		1 January 2014 二零一四年 一月一日
		NOTES 附註	2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Non-current assets	非流動資產				
Investment properties	投資物業	14	11,973,452	11,384,416	9,770,764
Property, plant and equipment	物業、廠房及設備	15	333,422	403,309	422,373
Goodwill	商譽	16	231,602	231,602	-
Interests in joint ventures	於合營公司的權益	17	525,393	521,757	505,197
Available-for-sale investments	可供出售投資	18	343,267	347,767	297,620
Deferred tax assets	遞延稅項資產	19	199,785	222,360	137,441
			13,606,921	13,111,211	11,133,395
Current assets	流動資產				
Properties under development for sale	發展中待售物業	20	2,109,719	4,557,695	2,535,404
Properties held for sale	待售物業	21	3,293,741	802,574	2,774,857
Other inventories	其他存貨	22	914	2,011	1,578
Accounts receivable	應收賬款	23	102,210	38,720	40,161
Deposits paid, prepayments and other receivables	已付按金、預付款項及其他應收款項	24	1,941,469	806,015	732,010
Tax recoverable	可收回稅款		88,950	35,538	163,579
Other current assets	其他流動資產	25	80,000	331,710	150,000
Restricted bank deposits	受限制銀行存款	26	1,253,444	760,546	387,898
Bank balances and cash	銀行結餘及現金	27	1,514,559	1,414,628	652,588
			10,385,006	8,749,437	7,438,075
Current liabilities	流動負債				
Accounts payable	應付賬款	28	1,102,296	1,532,034	1,068,488
Accruals, deposits received and other payables	應計費用、已收按金及其他應付款項	29	3,944,349	1,213,922	4,744,517
Tax liabilities	稅項負債		470,507	673,134	133,015
Borrowings	借貸	30	1,676,275	1,769,737	1,029,069
			7,193,427	5,188,827	6,975,089
Net current assets	流動資產淨值		3,191,579	3,560,610	462,986
Total assets less current liabilities	總資產減流動負債		16,798,500	16,671,821	11,596,381
Non-current liabilities	非流動負債				
Borrowings	借貸	30	6,557,606	6,325,096	4,463,705
Deferred tax liabilities	遞延稅項負債	19	2,267,724	2,269,077	1,881,495
			8,825,330	8,594,173	6,345,200
Net assets	資產淨值		7,973,170	8,077,648	5,251,181

Consolidated Statement of Financial Position

綜合財務狀況報表

At 31 December 2015
於二零一五年十二月三十一日

			31 December 十二月三十一日		1 January 2014
			2015	2014	二零一四年
			二零一五年	二零一四年	一月一日
	NOTES		RMB'000	RMB'000	RMB'000
	附註		人民幣千元	人民幣千元	人民幣千元
				(restated)	(restated)
				(經重列)	(經重列)
Capital and reserves		股本及儲備			
Share capital		股本	31	39,115	31,863
Reserves		儲備	32	7,841,962	5,193,801
Equity attributable to owners of the Company		本公司股東應佔權益		7,881,077	5,225,664
Non-controlling interests		非控股權益		92,093	25,517
Total equity		權益總額		7,973,170	5,251,181

The consolidated financial statements on pages 45 to 137 were approved and authorised for issue by the board of directors (the "Board") on 24 March 2016 and are signed on its behalf by:

第45至137頁之綜合財務報表已獲董事會(「董事會」)於二零一六年三月二十四日批准及授權刊發，並由以下董事代表簽署：

HUANG Jingshu
黃敬舒
DIRECTOR
董事

DENG Chengying
鄧承英
DIRECTOR
董事

Consolidated Statement of Changes in Equity

綜合權益變動表

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

		Attributable to owners of the Company 本公司股東應佔權益										
		Share capital	Share premium	Convertible preference shares 可換股 優先股	Other reserve	Exchange reserve	Revaluation reserve	Statutory reserve	Retained profits	Total	Non-controlling interests	Total equity
		股本	股份溢價	RMB'000	其他儲備	匯兌儲備	重估儲備	法定儲備	保留盈利	總計	非控股權益	權益總額
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Balance as at 1 January 2014 (as originally stated)	於二零一四年一月一日的結餘 (原先呈列)	10,597	422,520	-	93,638	121,524	-	26,196	104,185	778,660	78,090	866,750
Adjustments (as disclosed in note 2)	調整(披露於附註2)	21,266	4,359,451	5,959,114	(10,857,375)	(106,110)	165	4,011	5,066,482	4,447,004	(52,573)	4,394,431
Balance as at 1 January 2014 (restated)	於二零一四年一月一日的結餘 (重列)	31,863	4,781,971	5,959,114	(10,763,737)	15,414	165	30,207	5,170,667	5,225,664	25,517	5,251,181
Profit for the year	年度盈利	-	-	-	-	-	-	-	1,746,606	1,746,606	1,968	1,748,574
Exchange differences arising on translation	匯兌產生的換算差額	-	-	-	-	510	-	-	-	510	-	510
Fair value loss on available-for-sale investments	可供出售投資之公允價值虧損	-	-	-	-	-	(165)	-	-	(165)	-	(165)
Total comprehensive income (expense) for the year	年度全面收益(開支)總額	-	-	-	-	510	(165)	-	1,746,606	1,746,951	1,968	1,748,919
Arising from issue of ordinary shares on exercise of share options	因行使購股權發行普通股而產生	185	4,156	-	-	-	-	-	-	4,341	-	4,341
Arising from issue of ordinary shares on conversion of convertible notes	因兌換可換股票據發行普通股而產生	288	34,319	-	-	-	-	-	-	34,607	-	34,607
Transfer upon exercise of share options and conversion of convertible notes	行使購股權及兌換可換股票據時轉撥	-	2,105	-	(2,105)	-	-	-	-	-	-	-
Transfer upon cancellation of vested share options	註銷已歸屬購股權時轉撥	-	34	-	(34)	-	-	-	-	-	-	-
Effect of the Acquisition (as defined in notes 2 and 33)	收購事項之影響(定義見附註2及附註33)	-	-	-	806,292	-	-	-	-	806,292	232,308	1,038,600
Transfer upon the Acquisition (as defined in notes 2 and 33)	收購後轉撥(定義見附註2及附註33)	-	-	-	191,563	-	-	-	-	191,563	(191,563)	-
Transfer of statutory reserve	轉撥法定儲備	-	-	-	-	-	-	28,272	(28,272)	-	-	-
Balance as at 31 December 2014 (restated)	於二零一四年十二月三十一日的結餘(重列)	32,336	4,822,585	5,959,114	(9,768,021)	15,924	-	58,479	6,889,001	8,009,418	68,230	8,077,648
Profit for the year	年度盈利	-	-	-	-	-	-	-	417,780	417,780	6,805	424,585
Exchange differences arising on translation	匯兌產生的換算差額	-	-	-	-	(15,845)	-	-	-	(15,845)	(3,655)	(19,500)
Total comprehensive (expense) income for the year	年度全面(開支)收益總額	-	-	-	-	(15,845)	-	-	417,780	401,935	3,150	405,085
Deemed contribution on acquisition of a joint venture from Mr. WONG Hong King ("Mr. Wong")	視作自黃康境先生(「黃先生」)收購一間合營公司的注資	-	-	-	(9,200)	-	-	-	-	(9,200)	-	(9,200)
Non-controlling interest arising on acquisition of subsidiaries (note 34)	收購附屬公司產生的非控股權益(附註34)	-	-	-	-	-	-	-	-	-	48,400	48,400
Effect of the Disposals (as defined in notes 2 and 35)	出售事項之影響(定義見附註2及附註35)	-	-	-	(142,982)	63,638	-	-	-	(79,344)	(11,327)	(90,671)
Deemed distribution to Mr. Wong in relation to the consideration paid to Mr. Wong for the Transaction (as defined in note 2)	就有關交易向黃先生支付的代價視作分派予黃先生(定義見附註2)	-	-	-	(1,342,373)	-	-	-	-	(1,342,373)	-	(1,342,373)
Arising from issue of Placing Shares (as defined in note 31)	發行配售股份而產生(定義見附註31)	6,779	1,476,557	-	-	-	-	-	-	1,483,336	-	1,483,336
Transfer to statutory reserve	轉撥法定儲備	-	-	-	-	-	-	7,894	(7,894)	-	-	-
Dividend declared and made (note 12)	宣派及派付股息(附註12)	-	-	-	-	-	-	-	(582,695)	(582,695)	(16,360)	(599,055)
Balance as at 31 December 2015	於二零一五年十二月三十一日的結餘	39,115	6,299,142	5,959,114	(11,262,576)	63,717	-	66,373	6,716,192	7,881,077	92,093	7,973,170

綠景(中國)地產投資有限公司 49
二零一五年年報

Consolidated Statement of Cash Flows

綜合現金流量表

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Operating activities	經營活動		
Profit before tax	除稅前盈利	591,077	2,896,840
Adjustments for:	調整項目：		
Depreciation and amortisation	折舊及攤銷	52,687	49,313
Loss (gain) on disposal of property, plant and equipment	出售物業、廠房及設備的虧損(收益)	86	(146)
Fair value changes on investment properties	投資物業的公允價值變動	(473,046)	(887,591)
Share of results of joint ventures	應佔合營公司業績	30	40
Impairment loss on accounts receivable	應收款項減值虧損	59	307
Recovery of other receivables written-off	撥回其他應收款項撇銷	(8,363)	-
Write-down on other receivables	撇減其他應收款項	19,627	-
Impairment loss on properties held for sale	待售物業的減值虧損	-	1,840
Interest income	利息收入	(23,243)	(12,928)
Investment income	投資收益	(12,511)	(9,372)
Dividend income	股息收入	(5,040)	-
Finance costs	融資成本	262,868	218,322
Operating cash flows before movements in working capital	營運資金變動前的經營現金流量	404,231	2,256,625
(Increase) decrease in properties under development for sale and properties held for sale	發展中待售物業及待售物業(增加)減少	(508,339)	1,002,949
Decrease (increase) in other inventories	其他存貨減少(增加)	1,097	(433)
(Increase) decrease in accounts receivable, deposits paid, prepayments and other receivables	應收賬款、已付按金、預付款項及其他應收款項(增加)減少	(722,840)	58,429
Increase (decrease) in accounts payable, accruals, deposits received and other payables	應付賬款、應計費用、已收按金及其他應付款項增加(減少)	2,680,067	(3,429,580)
Cash from (used in) operations	經營活動所得(所用)的現金	1,854,216	(112,010)
Income taxes paid	已付所得稅	(381,780)	(220,673)
Net cash from (used in) operating activities	經營活動所得(所用)現金淨額	1,472,436	(332,683)
Investing activities	投資活動		
Additional costs of investment properties	投資物業之額外成本	(78,503)	(509,508)
Purchase of property, plant and equipment	購置物業、廠房及設備	(11,844)	(23,070)
Purchase of other current assets	購置其他流動資產	(9,000)	(222,922)
Proceeds from disposal of other current assets	出售其他流動資產所得款項	273,221	-
Proceeds from disposal of property, plant and equipment	出售物業、廠房及設備所得款項	86	274
Proceeds from disposal of investment properties	出售投資物業所得款項	190,403	-
Proceeds from disposal of available-for-sale investments	出售可供出售投資所得款項	-	835
Net cash outflow on acquisition of subsidiaries (note 34)	收購附屬公司現金流出淨額(附註34)	(145,187)	-
Net cash outflow on disposal of subsidiaries (note 35)	出售附屬公司現金流出淨額(附註35)	(16,139)	-
Net cash inflow arising from the Acquisition (note 33)	收購產生的現金流入淨額(附註33)	-	379,530
Withdrawal of restricted bank deposits	提取受限制銀行存款	264,433	42,044
Placement of restricted bank deposits	存放受限制銀行存款	(757,331)	(388,693)
Advances to related parties	向關連方支付之墊款	(1,099,619)	(981,671)
Repayment from related parties	償還關連方款項	364,125	892,366
Advance to a joint venture	向合營公司支付墊款	(3,346)	(16,600)
Interest received	已收利息	23,243	12,928
Dividend income for available-for-sale investment	可供出售投資股息收入	5,040	-
Net cash used in investing activities	投資活動所用現金淨額	(1,000,418)	(814,487)

Consolidated Statement of Cash Flows

綜合現金流量表

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Financing activities	融資活動		
Net cash outflow arising from the Transaction (note 2)	交易產生的現金流出淨額(附註2)	(1,342,373)	–
Proceeds from issue of share capital	發行股本所得款項	1,483,336	4,341
Proceeds from new borrowings	新造借貸所得款項	4,503,417	4,390,000
Repayments of borrowings	償還借貸	(4,407,414)	(1,877,203)
Interest paid	已付利息	(593,928)	(604,565)
Dividend paid	已付股息	(16,360)	–
Net cash (used in) from financing activities	融資活動(所用)所得的現金淨額	(373,322)	1,912,573
Net increase in cash and cash equivalents	現金及現金等價物增加淨額	98,696	765,403
Effect of foreign exchange rate changes	外匯匯率變動的影響	1,235	(3,363)
Cash and cash equivalents at beginning of the year	年初現金及現金等價物	1,414,628	652,588
Cash and cash equivalents at end of the year, represented by bank balances and cash	年末現金及現金等價物，指銀行結餘及現金	1,514,559	1,414,628

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

1. GENERAL

The Company is a company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the Company's registered office and principal place of business are Clifton House, 75 Fort Street, P.O. Box 1350 GT, George Town, Grand Cayman, Cayman Islands and Suites 1701 – 1703, 17/F., Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong respectively.

On 21 January 2014, China LVGEM Property Holdings Limited ("China LVGEM"), an independent third party and the then shareholders of the Company, including Belbroughton Limited, Mr. TAOCHAIFU Choofuang, Mr. TAO Richard, Mr. TAO Paul and Tian Xiang Business Limited (together, the "Vendors"), had entered into a conditional sale and purchase agreement (the "Sale and Purchase Agreement") for the acquisition of an aggregate of 858,800,792 ordinary shares of HK\$0.01 each (the "Acquisition Shares") of the Company (the "Acquisition"). The Acquisition Shares represented approximately 64.83% of the issued share capital of the Company and the Acquisition was completed as at 8 May 2014 ("Completion Date"). Prior to the Completion Date, the Company's immediate holding company was Belbroughton Limited, a company incorporated in the British Virgin Islands ("BVI"). After the Completion Date, its immediate holding company is China LVGEM, a company incorporated in the Cayman Islands with limited liability and its ultimate holding company is Go Great International Limited, a company incorporated in the BVI with limited liability. Its ultimate controlling party is Mr. Wong, father of Miss HUANG Jingshu, the Chairman of the Company.

Subsequent to the Completion Date, China LVGEM's interest in the Company increased to 81.50%, after the acquisition of additional shares of the Company as a result of the general offer of the Company, and subsequently reduced to 75% as a result of disposal of shares of the Company through open market and placement in order to maintain the public float of the Company during the year ended 31 December 2014.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 47.

2. MERGER ACCOUNTING AND RESTATEMENTS

The Group accounts for all its business combinations involving entities under common control using the principles of merger accounting.

1. 一般資料

本公司為一家於開曼群島註冊成立之有限公司，其股份於香港聯合交易所有限公司（「聯交所」）主板上市。本公司註冊辦事處及主要營業地點分別為Clifton House, 75 Fort Street, P.O. Box 1350 GT, George Town, Grand Cayman, Cayman Islands及香港灣仔告士打道108號大新金融中心17樓1701-1703室。

於二零一四年一月二十一日，作為獨立第三方之中國綠景地產控股有限公司（「中國綠景」）與本公司當時之股東，包括Belbroughton Limited、陶哲甫先生、陶家祈先生、陶錫祺先生及天祥事務有限公司（統稱「賣方」）就認購合共858,800,792股每股面值0.01港元之本公司股份（「認購股份」）訂立有條件買賣協議（「買賣協議」）（「認購事項」）。收購股份佔本公司已發行股本約64.83%，且收購事項已於二零一四年五月八日（「完成日期」）完成。於完成日期前，本公司之直接控股公司為Belbroughton Limited，其為一家於英屬維爾京群島（「英屬維爾京群島」）註冊成立之公司。於完成日期後，其直接控股公司為中國綠景，一家於開曼群島註冊成立之有限公司，而其最終控股公司則為高鴻國際有限公司，一家於英屬維爾京群島註冊成立之有限公司。其最終控股股東為黃先生，彼乃本公司主席黃敬舒小姐之父親。

於完成日期後，中國綠景於因全面收購及行使本公司購股權而收購本公司額外股份後於本公司之權益增加至81.50%，隨後於截至二零一四年十二月三十一日止年度為維持本公司之公眾持股量透過公開市場及配售處置本公司股份而削減至75%。

本公司為一間投資控股公司。其附屬公司的主要業務載於財務報表附註47。

2. 合併會計法及重列

本集團採用合併會計法的原則，對其所有涉及受共同控制實體的業務合併進行會計處理。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

2. MERGER ACCOUNTING AND RESTATEMENTS (Cont'd)

On 2 June 2015, Urban Thrive Holdings Limited (“Urban Thrive”), a wholly owned subsidiary of the Company (as the purchaser) and Mr. Wong (as the seller) entered into an agreement pursuant to which Mr. Wong conditionally agreed to sell and Urban Thrive conditionally agreed to purchase the entire equity interest in Green View Holding Company Limited (“Green View”) and its subsidiaries (collectively referred to as the “Target Group”) for a total consideration of HK\$13,785,000,000 (equivalent to approximately RMB11,682,204,000) (the “Transaction”). To satisfy the consideration, the Company (i) issued 2,509,342,511 new ordinary shares to the seller; (ii) issued 3,413,473,023 convertible preference shares at issue price of HK\$2.06 per convertible preference shares to the seller with an aggregate consideration of HK\$7,031,754,000 (equivalent to approximately RMB5,959,114,000); and (iii) paid a cash balance of HK\$1,584,000,000 (equivalent to approximately RMB1,342,373,000). The details of the Transaction was set out in the Company’s circular dated 30 October 2015. The Transaction was completed on 30 November 2015. Before the completion of the Transaction, agreements were signed between certain subsidiaries within the Target Group and certain entities controlled by Mr. Wong, pursuant to which certain subsidiaries of the Target Group (“the Disposal Group”) would be disposed of to the entities controlled by Mr. Wong at a total consideration of RMB682,955,000 (the “Disposals”). Further details of the Disposals are set out in note 35.

As the Company and its subsidiaries (before the completion of the Transaction, hereinafter collectively referred to as the “Existing Group”) and the Target Group are under the common control of Mr. Wong both before and after the Transaction and Mr. Wong’s control of the Existing Group and Target Group is not transitory, the Transaction is considered as a business combination under common control with the Target Group being considered as the continuing entity in preparing these consolidated financial statements and is in accordance with AG5 *Merger Accounting for Common Control Combinations*. Specifically, in applying merger accounting, the financial statement items of the Target Group for the current year in which the common control combination occurred, and the comparative periods disclosed, are included in the consolidated financial statements of the Company as if the combination had occurred from the date when the Target Group first came under the control of Mr. Wong. Further, the net assets of the Target Group are consolidated using the existing book values from the controlling party’s perspective. Also, the Existing Group is deemed to have been acquired by the Target Group at the Completion Date using the acquisition method:

- (i) the identified assets and liabilities of the Existing Group are recognised and measured initially at their fair values on the Completion Date;
- (ii) the performance of the Existing Group are included in the consolidated financial statements of the Company since the Completion Date; and
- (iii) the consideration for the Acquisition was deemed to be consideration paid by China LVGEM to then shareholders of the Company amounting to RMB806,292,000 to obtain 75% of the issued share of the Company and the control over the Existing Group as at the Completion Date.

2. 合併會計法及重列(續)

於二零一五年六月二日，本公司全資附屬公司城隆控股有限公司(「城隆」，作為買方)與黃先生(作為賣方)訂立一份協議，據此，黃先生有條件同意出售及城隆有條件同意購買綠景控股有限公司(「綠景」)及其附屬公司(統稱「目標集團」)之全部股權，總代價為13,785,000,000港元(相當於約人民幣11,682,204,000元)(「該交易」)。為支付代價，本公司(i)向賣方發行2,509,342,511股新普通股；(ii)按每股可換股優先股2.06港元之發行價向賣方發行3,413,473,023股可換股股份，總代價為7,031,754,000港元(相當於約人民幣5,959,114,000元)；及(iii)支付結餘1,584,000,000港元(相當於約人民幣1,342,373,000元)以現金支付。交易之詳情載於本公司日期為二零一五年十月三十日之通函。該交易已於二零一五年十一月三十日完成。於交易完成前，目標集團的若干附屬公司與由黃先生控制之若干實體訂立協議，據此，目標集團(「出售集團」)之若干附屬公司已被出售予黃先生控制之實體，總代價為人民幣682,955,000元(「出售事項」)。有關出售事項之進一步詳情載於附註35。

由於交易之前及之後本公司及其附屬公司(於交易完成前，以下合稱「現時集團」)以及目標集團受黃先生之共同控制，黃先生對現有集團擁有控制權且目標集團並非過渡性質，交易被視為目標集團共同控制下之業務合併，即被視為持續實體，並根據會計指引第5號「共同控制實體合併會計法」入賬。尤其是於應用合併會計法時，共同控制合併發生之年度內，乃至所披露之可資比較期間目標集團之財務報表項目計入本公司之綜合財務報表，猶如合併自目標集團首次受黃先生控制之日以來已發生。目標集團之資產淨值從控制方的角度按現有賬面值綜合入賬。此外，現時集團被視為已於完成日期當日被目標集團採用收購法收購：

- (i) 現時集團之已識別資產及負債初步按其於完成日期之公允值確認及計量；
- (ii) 現時集團之表現自完成日期起計入本公司之綜合財務報表；及
- (iii) 收購之代價被視作綠景(中國)於完成日期為獲得本公司已發行股份75%權益及對現時集團之控制權而向本公司當時之股東支付之人民幣806,292,000元之代價。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

2. MERGER ACCOUNTING AND RESTATEMENTS (Cont'd)

- (iv) Goodwill arising on the Acquisition of the Existing Group was recognised as at the Completion Date.

Further details of the Acquisition are set out in note 33.

The functional currency of each entity within the Target Group is Renminbi ("RMB") with RMB being the currency of the primary economic environment which the entities within the Target Group are exposed to. As mentioned above, the Target Group is considered to be the continuing entity in applying the merger accounting. The directors of the Company are in the opinion that the functional currency of the Company should be changed from Hong Kong dollars ("HKD") to RMB. Comparative figures have been restated accordingly.

The effects of changes in accounting policies described above on the results for the prior year by line items are as follows:

Impacts on profit for the year ended 31 December 2014 in applying AG5 *Merger Accounting for Common Control Combinations* and change in functional currency and presentation currency from HKD to RMB are as follows:

2. 合併會計法及重列(續)

- (iv) 收購現時集團產生之商譽於完成日期確認。

收購事項之進一步詳情載於附註33。

目標集團內各實體之功能貨幣均為人民幣(「人民幣」)，人民幣為目標集團內實體主要經濟環境之貨幣。如上所述，目標集團被視為應用合併會計法的持續實體，因此本公司董事認為本公司之功能貨幣應由港幣(「港幣」)轉為人民幣，可資比較數據已作相應重列。

上述會計政策變動對過往年度業績的影響按項目列示如下：

應用會計指引第5項「共同控制合併之合併會計法」及功能貨幣轉變與呈列貨幣由港幣轉為人民幣對截至二零一四年十二月三十一日止年度利潤之影響如下：

		Adjustments
		調整
		RMB'000
		人民幣千元
Increase in revenue	收益增加	4,825,904
Increase in cost of sales	銷售成本增加	(2,486,485)
Increase in other income	其他收入增加	16,021
Increase in selling expenses	銷售費用增加	(40,517)
Increase in administrative expenses	管理費用增加	(93,315)
Increase in fair value changes on investment properties	投資物業公平值費用增加	895,403
Increase in finance costs	財務成本增加	(217,000)
Decrease in impairment loss on goodwill	商譽減值虧損減少	13
Decrease in gain on disposal of subsidiaries	出售附屬公司收益減少	(31,333)
Decrease in share of results of associates	應佔聯營公司業績減少	(5,630)
Increase in share of results of joint ventures	應佔合營公司業績增加	(40)
Increase in income tax expense	所得稅費用增加	(1,126,207)
Change in profit for the year	年內盈利變動	1,736,814
Change in profit for the year attributed to:	年內盈利變動應佔：	
Owners of the Company	本公司擁有人	1,733,544
Non-controlling interests	非控股權益	3,270
		1,736,814

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

2. MERGER ACCOUNTING AND RESTATEMENTS (Cont'd)

Impacts on assets, liabilities and equity as at 1 January 2014 in applying AG5 *Merger Accounting for Common Control Combinations* and change in functional currency and presentation currency from HKD to RMB are as follows:

2. 合併會計法及重列(續)

應用會計指引第5項「共同控制合併之合併會計法」及功能貨幣轉變與呈列貨幣由港幣轉為人民幣對二零一四年一月一日之資產、負債及權益之影響如下：

		As at 1 January 2014 as previously reported 於二零一四年 一月一日 如前呈報 RMB'000 人民幣千元	Adjustments 調整 RMB'000 人民幣千元	As at 1 January 2014 as restated 於二零一四年 一月一日 經重列 RMB'000 人民幣千元
Investment properties	投資物業	255,119	9,515,645	9,770,764
Property, plant and equipment	物業、廠房及設備	38,089	384,284	422,373
Goodwill	商譽	23,399	(23,399)	-
Interests in an associate	於聯營公司之權益	110,338	(110,338)	-
Interests in joint ventures	於合營公司之權益	-	505,197	505,197
Available-for-sale investments	可供出售投資	-	297,620	297,620
Deferred tax assets	遞延稅項資產	138	137,303	137,441
Properties under development for sale	發展中待售物業	365,668	2,169,736	2,535,404
Properties held for sale	待售物業	274,801	2,500,056	2,774,857
Other inventories	其他存貨	54	1,524	1,578
Accounts receivable	應收賬款	133	40,028	40,161
Deposits paid, prepayments and other receivables	已付按金、預付款項及其他應收款項	38,034	693,976	732,010
Tax recoverable	可回收稅項	18,118	145,461	163,579
Other current assets	其他流動資產	-	150,000	150,000
Restricted bank deposits	受限制銀行存款	28,984	358,914	387,898
Bank balances and cash	銀行結餘及現金	348,626	303,962	652,588
Accounts payable	應付賬款	(89,743)	(978,745)	(1,068,488)
Accruals, deposits received and other payables	應計費用、已收按金及其他應付款項	(332,996)	(4,411,521)	(4,744,517)
Tax liabilities	稅項負債	-	(133,015)	(133,015)
Convertible notes	可換股票據	(33,712)	33,712	-
Borrowings	借貸	(145,302)	(5,347,472)	(5,492,774)
Deferred tax liabilities	遞延稅項負債	(42,998)	(1,838,497)	(1,881,495)
Total net assets and equity	淨資產及權益總額	856,750	4,394,431	5,251,181

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

2. MERGER ACCOUNTING AND RESTATEMENTS (Cont'd)

Impacts on assets, liabilities and equity as at 31 December 2014 in applying AG5 *Merger Accounting for Common Control Combinations* and change in functional currency and presentation currency from HKD to RMB are as follows:

2. 合併會計法及重列(續)

應用會計指引第5項「共同控制合併之合併會計法」及功能貨幣轉變與呈列貨幣由港幣轉為人民幣對二零一四年十二月三十一日之資產、負債及權益之影響如下：

		As at 31 December 2014 as previously reported 於二零一四年 十二月三十一日 如前呈報 RMB'000 人民幣千元	Adjustments 調整 RMB'000 人民幣千元	As at 31 December 2014 as restated 於二零一四年 十二月三十一日 經重列 RMB'000 人民幣千元
Investment properties	投資物業	241,390	11,143,026	11,384,416
Property, plant and equipment	物業、廠房及設備	7,670	395,639	403,309
Goodwill	商譽	–	231,602	231,602
Interests in joint ventures	於合營公司之權益	–	521,757	521,757
Available-for-sale investments	可供出售投資	–	347,767	347,767
Deferred tax assets	遞延稅項資產	1,043	221,317	222,360
Properties under development for sale	發展中待售物業	84,372	4,473,323	4,557,695
Properties held for sale	待售物業	287,706	514,868	802,574
Other inventories	其他存貨	19	1,992	2,011
Accounts receivable	應收賬款	8	38,712	38,720
Deposits paid, prepayments and other receivables	已付按金、預付款項及其他應收款項	19,520	786,495	806,015
Tax recoverable	可回收稅項	3,535	32,003	35,538
Other current assets	其他流動資產	–	331,710	331,710
Restricted bank deposits	受限制銀行存款	18,668	741,878	760,546
Bank balances and cash	銀行結餘及現金	386,510	1,028,118	1,414,628
Accounts payable	應付賬款	(57,331)	(1,474,703)	(1,532,034)
Accruals, deposits received and other payables	應計費用、已收按金及其他應付款項	(42,014)	(1,171,908)	(1,213,922)
Tax liabilities	稅項負債	(2,960)	(670,174)	(673,134)
Borrowings	借貸	(78,801)	(8,016,032)	(8,094,833)
Deferred tax liabilities	遞延稅項負債	(41,882)	(2,227,195)	(2,269,077)
Total net assets and equity	淨資產及權益總額	827,453	7,250,195	8,077,648

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

2. MERGER ACCOUNTING AND RESTATEMENTS (Cont'd)

Impacts on cash flows for the year ended 31 December 2014 in applying AG5 *Merger Accounting for Common Control Combinations* and change in functional currency and presentation currency from HKD to RMB are as follows:

		Adjustments 調整 RMB'000 人民幣千元
Decrease in net cash flow from operating activities	來自經營活動現金流淨值減少	(290,188)
Decrease in net cash flow from investing activities	來自投資活動現金流淨值減少	(969,065)
Increase in net cash flow from financing activities	來自融資活動現金流淨值增加	1,988,534
Net increase in cash and cash equivalents	現金及現金等價物淨值增加	729,281

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contribution
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. 合併會計法及重列(續)

應用會計指引第5項「共同控制合併之合併會計法」及功能貨幣轉變與呈列貨幣由港幣轉為人民幣對截至二零一四年十二月三十一日止年度之現金流之影響如下：

		Adjustments 調整 RMB'000 人民幣千元
Decrease in net cash flow from operating activities	來自經營活動現金流淨值減少	(290,188)
Decrease in net cash flow from investing activities	來自投資活動現金流淨值減少	(969,065)
Increase in net cash flow from financing activities	來自融資活動現金流淨值增加	1,988,534
Net increase in cash and cash equivalents	現金及現金等價物淨值增加	729,281

3. 應用新訂及經修訂之香港財務報告準則(「香港財務報告準則」)

應用新訂及經修訂香港財務報告準則

本集團已於本年度首次應用以下香港會計師公會(「香港會計師公會」)頒佈之香港財務報告準則之修訂：

香港會計準則第19號的19 (修訂本)	香港財務報告準則二零一零年至 二零一二年週期之年度改進
香港財務報告準則 (修訂本)	香港財務報告準則二零一一年至 二零一三年週期之年度改進

於本年度應用該等香港財務報告準則之修訂本對本集團於本年度及以往年度的財務表現及狀況及/或在本綜合財務報表所載披露並無任何重大影響。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Cont’d)

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Classification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹

¹ Effective for annual periods beginning on or after 1 January 2016.

² Effective for annual periods beginning on or after 1 January 2018.

³ Effective for annual periods beginning on or after a date to be determined.

3. 應用新訂及經修訂之香港財務報告準則(「香港財務報告準則」)(續)

已頒布但尚未生效之新訂及經修訂香港財務報告準則

本集團尚未提早應用以下已頒佈但尚未生效之新訂及經修訂香港財務報告準則：

香港財務報告準則第9號	金融工具 ²
香港財務報告準則第15號	來自客戶合約的收益 ²
香港財務報告準則第11號(修訂本)	收購共同經營業務權益的會計處理 ¹
香港會計準則第1號(修訂本)	披露計劃 ¹
香港會計準則第16號及香港會計準則第38號(修訂本)	釐清可接納的折舊及攤銷方法 ¹
香港財務報告準則(修訂本)	香港財務報告準則二零一二年至二零一四年週期之年度改進 ¹
香港會計準則第16號及香港會計準則第41號(修訂本)	農業：生產性植物 ¹
香港會計準則第27號(修訂本)	獨立財務報表之權益法 ¹
香港財務報告準則第10號及香港會計準則第28號(修訂本)	投資者與其聯營或合營企業之間的資產出售或注資 ³
香港財務報告準則第10號、香港財務報告準則第12號及香港會計準則第28號(修訂本)	投資實體：應用綜合入賬的例外情況 ¹

¹ 於二零一六年一月一日或以後開始的年度期間生效。

² 於二零一八年一月一日或以後開始的年度期間生效。

³ 於釐定日期或以後開始的年度期間生效。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Cont’d)

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

3. 應用新訂及經修訂之香港財務報告準則(「香港財務報告準則」)(續)

香港財務報告準則第9號金融工具

於二零零九年頒佈之香港財務報告準則第9號引進有關金融資產分類及計量之新規定。隨後於二零一零年修訂之香港財務報告準則第9號包括對金融負債分類及計量與取消確認之規定，並且於二零一三年進一步修訂以包括一般對沖會計法之新規定。於二零一四年頒佈之香港財務報告準則第9號另一個經修訂版本主要加入a)有關金融資產之減值規定及b)藉為若干簡單債務工具引入「透過其他全面收入按公允值列賬」(「透過其他全面收入按公允值列賬」)計量類別，對分類及計量規定作出有限修訂。

香港財務報告準則第9號之主要規定描述如下：

- 屬香港會計準則第39號*財務工具：確認及計量*範圍內之所有已確認金融資產其後均須按攤銷成本或公允值計量。特別是，旨在收取合約現金流之業務模式，以及純粹為支付本金額及尚未償還本金之利息而擁有之合約現金流之債務投資，一般於其後會計期間結束時按攤銷成本計量。於目的為同時收取合約現金流及出售金融資產之業務模式中持有之債務工具，以及合約條款令於特定日期產生之現金流純粹為支付本金及尚未償還本金之利息的債務工具，均按透過其他全面收入按公允值列賬之方式計量。所有其他債務投資及股本投資於其後會計期末按公允值計量。此外，根據香港財務報告準則第9號，實體可作出不可撤回選擇於其他全面收入呈列股本投資(並非持作買賣)之其後公允值變動，而一般僅於損益內確認股息收入。
- 就按公允值計入損益之金融負債之計量而言，香港財務報告準則第9號規定，除非於其他全面收入確認該負債信貸風險變動之影響，會產生或增加損益之會計錯配，否則，因負債之信貸風險改變而導致金融負債公允值金額的變動乃於其他全面收入呈列。因金融負債之信貸風險而導致其公允值變動其後不會重新分類至損益。根據香港會計準則第39號，指定為按公允值計入損益之金融負債之全部公允值變動款額均於損益中確認。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Cont’d)

HKFRS 9 Financial Instruments (Cont’d)

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

3. 應用新訂及經修訂之香港財務報告準則(「香港財務報告準則」)(續)

香港財務報告準則第9號金融工具(續)

- 就金融資產之減值而言，與香港會計準則第39號項下按已產生信貸虧損模式計算相反，香港財務報告準則第9號規定按預期信貸虧損模式計算。預期信貸虧損模式規定實體於各報告日期將預期信貸虧損及該等預期信貸虧損之變動入賬，以反映信貸風險自初始確認以來之變動。換言之，毋須再待發生信貸事件方確認信貸虧損。
- 香港會計準則第39號項下新訂一般對沖會計規定保留三種目前可用的對沖會計機制類別。根據香港財務報告準則第9號，規定為合資格作對沖會計處理的各類交易提供更大的靈活性，特別是增加合資格作為對沖工具的工具類別以及合資格作對沖會計處理的非金融項目之風險成分類別。此外，追溯評核的成效測試將被清除。新規定同時引入增加披露有關實體風險管理活動的規定。

本公司董事預期，於將來應用香港財務報告準則第9號對本集團的綜合財務報表不論在報告金額或披露上皆可能構成重大影響。然而，對應用香港財務報告準則第9號，在詳細檢討完成前對該影響作出合理估計並不可行。

香港財務報告準則第15號來自客戶合約的收益

香港財務報告準則第15號制定一項單一全面模式供實體用作將自客戶合約所產生之收益入賬。於香港財務報告準則第15號生效後，將取代現時載於香港會計準則第18號收益、香港會計準則第11號建築合約及相關詮釋之收益確認指引。

香港財務報告準則第15號之核心原則為實體須確認描述向客戶轉讓承諾貨品或服務之收益金額，金額應為能反映該實體預期就交換該等貨品或服務有權獲得之代價。具體而言，該準則引入五個確認收益之步驟：

- 第一步：識別與客戶訂立之合約
- 第二步：識別合約中之履約責任
- 第三步：釐定交易價
- 第四步：將交易價分配至合約中之履約責任
- 第五步：於實體完成履約責任時確認收益

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Cont’d)

HKFRS 15 Revenue from Contracts with Customers (Cont’d)

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The directors of the Company do not anticipate that the application of the other new and revised HKFRSs will have material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to certain provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors’ reports and to streamline with HKFRSs and became effective for the year ended 31 December 2015. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared using the merger accounting as explained in note 2. Also, the consolidated financial statements have been prepared on the historical cost basis except for investment properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. 應用新訂及經修訂之香港財務報告準則(「香港財務報告準則」)(續)

香港財務報告準則第15號來自客戶合約的收益(續)

根據香港財務報告準則第15號，實體於完成履約責任時確認收益，即於特定履約責任相關之商品或服務之「控制權」轉讓予客戶時，香港財務報告準則第15號已就特別情況之處理方法加入更明確指引。此外，香港財務報告準則第15號規定作出更詳盡之披露。

本公司董事預期，於將來應用香港財務報告準則第15號對本集團的綜合財務報表不論在報告金額或披露上皆可能構成重大影響。然而，對應用香港財務報告準則第15號，在詳細檢討完成前對該影響作出合理估計並不可行。

本公司董事預期應用其他新訂及經修訂之香港財務報告準則將不會對本集團之業績及財務狀況產生重大影響。

4. 主要會計政策

綜合財務報表乃根據香港會計師公會頒佈的香港財務報告準則而編製。此外，綜合財務報表包括聯交所證券上市規則(「上市規則」)及香港公司條例(「公司條例」)的適用披露規定。

上市規則有關年度賬目的披露規定已根據新香港公司條例(第622章)有關編製賬目及董事報告之條文予以修訂，藉此與香港財務報告準則精簡一致，已於截至二零一五年十二月三十一日止年度生效。因此，截至二零一五年十二月三十一日止財政年度綜合財務報表內之資料呈列及披露已予更改以遵守此等新規定。有關截至二零一四年十二月三十一日止財政年度之比較資料已根據新規定於綜合財務報表內呈列或披露。根據前公司條例或上市規則在以往須予披露但根據新公司條例或經修訂上市規則毋須披露之資料，於本綜合財務報表中已再無披露。

如附註2所述，綜合財務報表使用合併會計法編製。此外，於各報告期末，除下文所載會計政策闡釋的投資物業按公允價值計量外，綜合財務報表乃按歷史成本基準編製。

歷史成本一般按換取貨品所付出代價之公允價值計量。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The significant accounting policies are set out below.

Basis of consolidation

In addition to the merger accounting described in note 2, the consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

4. 主要會計政策(續)

公允價值是於計量日期市場參與者於有序交易中出售資產可收取或轉讓負債須支付的價格，而不論該價格是否直接可觀察或可使用其他估值技術估計。若市場參與者於計量日期對資產或負債定價時會考慮資產或負債的特點，則本集團於估計資產或負債的公允價值時會考慮該等特點。此等綜合財務報表中作計量及／或披露用途的公允價值乃按此基準釐定，惟屬於香港財務報告準則第2號以股份為基礎的付款範圍的以股份為基礎之付款交易、屬於香港會計準則第17號租賃範圍內的租賃交易，以及與公允價值有部份相若地方但並非公允價值的計量，譬如香港會計準則第2號存貨內的可變現淨額或香港會計準則第36號資產減值的使用價值除外。

非金融資產的公允價值計量須考慮市場參與者充分利用該資產或充分利用該資產向另一市場參與者進行銷售從而產生經濟效益的能力。

此外，就財務申報而言，公允價值計量根據公允價值計量的輸入數據可觀察程度及公允價值計量的輸入數據對其整體的重要性分類為第一級、第二級或第三級，詳情如下：

- 第一級輸入數據是實體於計量日期可以取得的相同資產或負債於活躍市場之報價(未經調整)；
- 第二級輸入數據是就資產或負債直接或間接地可觀察之輸入數據(第一級內包括的報價除外)；及
- 第三級輸入數據是資產或負債的不可觀察輸入數據。

重要會計政策載列如下。

綜合基準

除附註2所述之合併會計法，綜合財務報表包括本公司及其所控制之實體及其附屬公司之財務報表。當本公司符合以下要素時，則本公司取得控制權：

- 可對投資對象行使權力；
- 因參與投資對象業務而承擔浮動回報的風險或享有權利；及
- 有能力使用其權力影響其回報。

倘有事實及情況顯示上述三項控制權要素有一項或以上出現變動，本公司會重新評估其是否對投資對象擁有控制權。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of consolidation (Cont'd)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. 主要會計政策(續)

綜合基準(續)

附屬公司之綜合入賬於本集團取得有關附屬公司之控制權起開始，並於本集團失去有關附屬公司之控制權時終止。具體而言，年內所收購或出售附屬公司之收入及開支乃自本集團取得控制權之日期起計入綜合損益表，直至本集團不再控制有關附屬公司之日期為止。

損益及其他全面收益之每個項目乃歸屬於本公司股東及非控股權益。附屬公司之全面收益總額歸屬於本公司股東及非控股權益，即使此舉會導致非控股權益產生虧絀結餘。

於必要時，將對附屬公司之財務報表作出調整，以令彼等之會計政策與本集團之會計政策一致。

有關本集團成員公司之間交易的所有集團內公司間之資產及負債、權益、收入、支出及現金流量於綜合入賬時悉數對銷。

本集團於現有附屬公司所有權權益的變動

未導致本集團失去對附屬公司控制權的本集團於附屬公司所有權權益的變動以權益交易列賬。為反映其於附屬公司的相關權益變動，本集團的權益及非控股權益的賬面值會作出調整。非控股權益所作調整數額與已付或已收代價公允價值之間的任何差額直接於權益內確認，並歸屬於本公司股東。

當本集團失去附屬公司的控制權時，收益或虧損於損益確認，並按以下兩者的差額計算得出：(i)已收代價的公允價值及任何保留權益的公允價值的總和；及(ii)附屬公司的資產(包括商譽)、負債及任何非控股權益先前的賬面值。先前就該附屬公司於其他全面收益確認的所有金額，按猶如本集團已直接出售該附屬公司的相關資產或負債入賬處理(即按適用的國際財務報告準則所規定/許可，重新分類至損益或轉撥至另一類權益)。於失去控制權當日於前附屬公司保留之任何投資之公允價值將根據香港會計準則第39號於其後入賬時被列作初步確認之公允價值，或(如適用)於初步確認時於聯營公司或一家合營公司之投資成本。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Business combinations

Acquisitions of businesses other than those that are under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

4. 主要會計政策(續)

業務合併

收購業務(受共同控制之業務除外)採用收購法入賬。業務合併之轉撥代價按公允價值計量，而計算方法為本集團所轉讓之資產於收購日之公允價值、本集團向被收購方原擁有人產生之負債及本集團於交換被收購方之控制權發行之股權。有關收購之費用於產生時一般於損益中確認。

於收購日，所收購之可識別資產及所承擔之負債按公允價值確認，惟下文所述者除外：

- 遞延稅項資產或負債及與僱員福利安排有關之資產或負債，分別根據香港會計準則第12號 *所得稅* 及香港會計準則第19號 *僱員福利* 確認並計量；
- 與被收購公司以股份為基礎之付款安排或以本集團訂立以股份為基礎之付款安排取代被收購公司以股份為基礎之付款安排相關之負債或股本工具乃於收購日期根據香港財務報告準則第2號 *以股份為基礎之付款* 計量(見下文會計政策)；及
- 根據香港財務報告準則第5號 *持作出售之非流動資產及已終止經營業務* 分類為持作出售之資產(或出售組別)則根據該準則計量。

商譽是以所轉撥之代價、於被收購方中所佔任何金額、及收購方以往持有被收購方股權(如有)之公允價值之總和，減所收購之可識別資產及所承擔之負債於收購日期之淨值後，所超出之差額計值。倘經過重新評估後，所收購之可識別淨資產與所承擔負債於收購日期之淨額高於轉撥之代價、非控股權益於被收購方中所佔任何金額與收購方先前持有被收購方之權益(如有)之公允價值之總和，則差額即時於損益內確認為議價收購收益。

屬現時擁有之權益且於清盤時讓持有人有權按比例分佔實體淨資產之非控股權益，可初步按公允價值或非控股權益應佔被收購方可識別資產淨值的已確認金額比例計量。計量基準視乎每項交易而作出選擇。其他類型的非控股權益乃按其公允價值或(如適用)另一項香港財務報告準則指定之基準計量。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statement items of the combining entities as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where there is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined, unless the combining entities first come under common control at a later day.

Goodwill

Goodwill (see the accounting policy above) is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment at the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

4. 主要會計政策(續)

共同控制合併的合併會計法

綜合財務報表加入出現共同控制合併的合併實體的財務報表項目，猶如已於合併實體首次在控制方的控制下的當日已合併。

合併實體的資產淨值從控制方的角度以現有賬面值合併。倘控制方的權益繼續存在，則有關商譽的金額或收購方於被收購方的可識別資產、負債及或然負債公允淨值的權益高於共同控制合併時的成本的金額均不會確認。

綜合損益表包括由最早呈列日期或合併實體首次受共同控制的日期(倘為較短期間，而不論共同控制合併的日期)起，各合併實體的業績。

綜合財務報表內的比較金額的呈列方式，猶如該等實體已合併，惟於較後日期首次受共同控制之合併實體除外。

商譽

商譽(見上文會計政策)乃按業務收購日期釐定之成本減累計減值虧損(如有)列賬。

就減值測試而言，商譽乃分配至預期從合併之協同效應中獲利之本集團各現金產生單位(或現金產生單位組別)。

本集團每年會就獲分配商譽之現金產生單位進行減值測試，或於有跡象顯示該單位可能已經減值時更頻繁地進行測試。就於報告期內收購產生之商譽而言，已獲分配商譽之現金產生單位於報告期末進行減值測試。倘現金產生單位之可收回數額少於其賬面值，則本集團會首先分配減值虧損以減少該單位獲分配之任何商譽之賬面值，再根據該單位之各項資產之賬面值按比例分配予該單位之其他資產。商譽之任何減值虧損直接於損益內確認。就商譽確認之減值虧損不會於往後期間撥回。

出售相關現金產生單位時，釐定出售損益時須計入商譽之應佔金額。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

4. 主要會計政策(續)

投資合營公司

合營企業指一項聯合安排，對安排擁有共同控制權之訂約方據此對聯合安排之資產淨值擁有權利。共同控制是指按照合約約定對某項安排所共有的控制，共同控制僅在當相關活動要求共同享有控制權之各方作出一致同意之決定時存在。

合營公司的業績、資產及負債按權益法計入此綜合財務報表中。按照權益法，於合營公司之投資乃按成本於綜合財務狀況表中首次確認，並於其後就確認集團應佔該合營公司之損益及其他全面收益而作出調整。倘集團所佔於合營公司之虧損等於或超越集團於合營公司應佔權益(包括任何實際上構成集團於合營公司投資淨值其中部分之長遠權益)，集團應不再確認應佔的虧損。確認額外虧損只限於集團須受合法或結構性責任或代合營公司支付款項。

於合營公司之投資採用權益會計法自被投資者成為合營公司當日起入賬。於收購合營公司之投資時，投資成本超過本集團應佔被投資者之可識別資產及負債之公允價值淨值之任何部份均確認為商譽，並計入投資之賬面值。本集團應佔可識別資產及負債之公允價值淨值超過投資成本之任何部份(經重新評估後)於收購投資之期間即時確認為損益。

香港會計準則第39號之規定予以應用，以釐定是否需要就本集團於合營公司之投資確認任何減值虧損。於需要時，該項投資之全部賬面值(包括商譽)會根據香港會計準則第36號*資產減值*以單一資產的方式進行減值測試，方法是比較其可收回金額(即使用價值與公允價值減出售成本之較高者)與賬面值。任何已確認之減值虧損構成該項投資之賬面值的一部份，有關減值虧損之任何撥回乃於該項投資之可收回金額其後增加之情況根據香港會計準則第36號確認。

倘本集團削減其於合營公司之所有權權益而本集團繼續採用權益法，若有關收益或虧損會於出售相關資產或負債時重新分類至損益，則本集團會將先前已於其他全面收入確認與削減所有權權益有關之收益或虧損部分重新分類至損益。

倘集團實體與本集團之合營公司進行交易，僅在合營公司之權益與本集團無關之情況下，與合營公司進行交易所產生之盈利及虧損，方會於本集團之綜合財務報表中確認。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the properties;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidation statement of financial position under current liabilities.

Revenue from hotel operation is recognised when the relevant services are provided. Property management fee income and rental related income are recognised in profit or loss when the services are rendered.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest and investment income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's policy for recognition of revenue from operating leases is described in the accounting policy below.

4. 主要會計政策(續)

收入確認

收入以已售貨品之已收及應收代價之公允價值計算。收入已就估計客戶退貨、回扣及其他類似撥備作出扣減。

銷售貨品之收入於貨品付運及擁有權已轉移，並滿足下列全部條件時確認：

- 本集團已將物業擁有權之絕大部分風險及回報轉讓予買方；
- 本集團對物業不再具有一般與擁有權相關的程度之持續管理參與權，亦無實際控制權；
- 收入金額能可靠地計量；
- 與交易相關的經濟利益可能流入本集團；及
- 有關交易所產生或將予產生的成本能可靠地計量。

具體而言，日常業務過程中銷售物業所得之收入於相關物業已完成發展及已交付予買家時確認。於符合上述收入確認標準前所收取之買方按金及分期付款計入綜合財務狀況表內流動負債項下。

來自酒店經營的收益於提供有關服務時確認。物業管理收入及與租賃相關的收入於有關服務提供時在損益表確認。

投資所得利息收入乃於股東收取利息之權利已確定是確認。

來自金融資產之利息及投資收入於經濟利益可能流入本集團及收入金額能可靠計量時確認利息收入按未償還本金額及適用之實際利率以時間比例計算。有關利率指於初步確認時將金融資產之估計未來所收現金在估計可使用期內折現至資產賬面淨值之利率。

本集團有關確認來自經營租賃收益的政策詳述於下文會計政策。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are initially measured at cost, including any directly attributable expenditure. Cost incurred for investment properties under development comprises development expenditure including professional charges directly attributable to the development and borrowing costs, and these costs are capitalised as part of the carrying amount of the investment properties under development during the development period.

Subsequent to initial recognition, investment properties, including completed investment properties and investment properties under development, are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Property, plant and equipment

Property, plant and equipment including buildings, leasehold land (classified as finance lease) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

4. 主要會計政策(續)

投資物業

投資物業指為獲取租金及／或資本增值而持有的物業(包括用於該等目的的在建物業)。

投資物業應按成本值(包括任何直接應佔費用)進行初始計量。在建投資物業產生之成本包括開發直接相關專業費用及借貸成本，該等成本於開發期間資本化為開發中投資物業賬面值的一部分。

於初次確認後，投資物業(包括已完成投資物業及開發中投資物業)乃按其公允價值計量。投資物業公允價值變動所產生之盈虧於產生期間計入損益賬。

投資物業於被出售時或於投資物業永久不可使用及預期其出售不會產生任何未來經濟利益時予以撇除確認。撇除確認該物業所產生之任何收益或虧損(計算為出售所得款項淨額與該資產賬面值間之差額)於該項目被撇除確認之當期計入損益。

物業、廠房及設備

物業、廠房及設備包括樓宇、土地(分類為融資租賃)，於綜合財務狀況報表以成本減其後累計折舊及累計減值虧損(如有)列賬。

興建中的物業(作出產用途)均按成本減任何已確認減值虧損列賬。成本包括轉業費，以及就合資格資產而言，根據集團的會計政策撥作資本的借貸成本。該等物業於完成及擬定使用時分類至適當的類別。該等資產按其他物業資產的相同基準，在可做擬定用途時間開始折舊。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, plant and equipment (Cont'd)

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Properties under development for sale

Properties under development which are intended to be held for sale are carried at lower of cost and net realisable value and are shown as current assets. Cost includes the costs of land (including relocation costs), development expenditure incurred and, where appropriate, borrowing costs capitalised during construction period. Net realisable value is determined based on prevailing market conditions.

Properties under development for sales are transferred to properties held for sale upon completion of development activities, which is when the relevant completion certificates are issued by the respective government authorities.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total land and development costs attributable to the properties held for sale. Net realisable value is determined based on prevailing market conditions.

Other inventories

Other inventories comprising consumable stores for own consumption which are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

4. 主要會計政策(續)

物業、廠房及設備(續)

物業、廠房及設備項目(除了在建工程)會以直線法在其估計使用年期內對其成本減去殘值後進行折舊。估計使用年期、殘值和折舊方法會在每個報告期末覆核，並採用未來適用法對估計變更的影響進行核算。

根據融資租賃持有的資產按與自有資產相同的基準於其預期可用年期內計提折舊。然而，倘並不能合理地確定本公司於租賃期末可取得其擁有權，則該資產按租賃期與其使用年期兩者中的較短者計提折舊。

物業、廠房及設備項目將於出售時或預期繼續使用有關資產亦不會帶來任何未來經濟利益時終止確認。出售或棄用物業、廠房及設備項目所產生任何收益或虧損，按有關資產的出售所得款項與其賬面值差額計算，在損益內確認。

發展中待售物業

擬持作出售的發展中物業乃按成本與可變現淨值兩者之間較低者入賬並列作流動資產。計入土地成本的成本(包括拆遷費用)、所產生的發展開支及於建築期間資本化的借貸成本(倘適用)。可變現淨值乃基於當前市況釐定。

開發活動竣工時，即有關政府機關發出相關竣工證明時，發展中待售物業結轉至持作出售物業。

待售物業

待售物業按成本及可變現淨值兩者之較低者列賬。成本乃按未出售物業應佔之土地及發展成本總額釐定。可變現淨值乃根據現行市場情況釐定。

其他存貨

其他存貨包括供本身消耗的消耗品庫存材料，初步按成本確認，而隨後以較低成本及可變現淨值確認。成本按加權平均法釐定。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment on tangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

4. 主要會計政策(續)

除商譽外有形資產減值(請參閱上文有關商譽之會計政策)

本集團會於各報告期末審閱其具有有限可使用期限的有形資產之賬面值，以確定有否任何跡象顯示該等資產已出現減值虧損。倘有任何該等跡象存在，須估計資產可收回金額以釐定減值虧損程度(如有)。倘無法估計個別資產之可收回金額，本集團將估計該資產所屬現金產生單位可回收金額。如能確定一個合理及一致之分配基準，公司資產亦分配至個別現金產生單位，否則將分配至如能確定一個合理及一致之分配基準的情況下將分配至之最小現金產生單位。

可收回金額乃公允價值扣除銷售成本與使用價值之較高者。在評估使用價值時，估計未來現金流量將使用稅前貼現率貼現至其現值，以反映目前資金時間值之市場估量及未調整未來現金流估計之資產有關之風險。

倘資產(或現金產生單位)可收回金額估計低於其賬面值，則該資產(或現金產生單位)賬面值將扣減至其可收回金額。減值虧損應即時於損益內確認。

倘若減值虧損其後撥回，則該資產(或現金產生單位)之賬面值會增加至修訂後之估計可收回款額，惟所增加之賬面值數額不得超過倘以往年度該資產(或現金產生單位)未有確認減值虧損之賬面值。減值虧損撥回會即時於損益賬內確認。

金融工具

倘集團實體成為工具合約條文的訂約方，則於綜合財務狀況表中確認金融資產及金融負債。

財務資產及財務負債初步按公允價值計量。因收購或發行財務資產及財務負債，於初步確認時加入財務資產或財務負債(如適用)的公允價值或自財務資產或財務負債(如適用)的公允價值中扣除。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets

Financial assets are classified as available-for-sale (“AFS”) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts and other receivables, other current assets, restricted bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

4. 主要會計政策(續)

金融工具(續)

金融資產

本集團的金融資產乃分類為可供出售金融資產(「可供出售金融資產」)及貸款及應收款項。分類取決於財務資產在初期確認時確定的性質和用途。所有常規購買或出售金融資產於交易日確認及終止確認。常規購買或出售金融資產指購買或出售需要在一般由法規或市場慣例確定的期間內移交資產。

實際利率法

實際利率法為計算債務資產攤銷成本及於有關期間分配利息收入之方法。實際利率為可準確將債務工具在預計年期或較短期間內(如適用)產生之估計未來現金收入(包括構成實際利率主要部分之所有已付或已收費用、交易成本及其他溢價或折價)折算為初步確認時之賬面淨值之利率。

利息收入按債務工具之實際利率基準確認。

可供出售財務資產

可供出售財務資產乃指定可供出售或並未分類為(a)貸款和應收款項、(b)持至到期投資或(c)通過損益以反映公允價值之財務資產之非衍生工具。

可供出售股權投資之股息乃於確定本集團有權收取該股息時於損益中確認。

如可供出售股權投資於活躍市場沒有市場報價且公平值不能可靠計算，則於各報告期末按成本價扣除任何已識別減值虧損計量。(參見下文有關金融資產減值虧損之會計政策)。

貸款及應收款項

貸款及應收款項乃並無於活躍市場報價的固定或待定金額付款的非衍生財務資產。於初步確認後，貸款及應收款項(包括應收賬款及其他應收款項、其他流動資產、受限制銀行存款及銀行結餘及現金)均以實際利率法，按攤銷成本減任何已識別減值虧損列賬。

利息收入透過採用實際利率確認，惟短期應收款項除外，因為確認有關短期應收款之利息屬微不足道。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as accounts and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

4. 主要會計政策(續)

金融工具(續)

金融資產(續)

金融資產減值

金融資產會於各報告期末評定是否有減值跡象。倘有客觀證據顯示，該項金融資產之預期未來現金流量因於初步確認該金融資產後發生之一項或多項事件而受到影響，則金融資產會被視為減值。

若可供出售股權投資之公允值顯著或長期低於其成本價，則被視為需作減值之客觀證據。

減值之客觀證據可能包括：

- 發行人或交易對手出現重大財政困難；或
- 違約，如未能繳付或拖欠利息及本金；或
- 借款人有可能面臨破產或財務重組。

就若干類別之金融資產(如應收賬款及其他應收款項)而言，倘按個別基準評估為無需減值，則需額外按整體基準作減值評估。應收款項組合減值之客觀證據包括本集團過往收取款項之經驗以及與拖欠應收款項相關的國家或本地經濟之可見因素轉變。

就按已攤銷成本列賬之金融資產而言，所確認之減損虧損金額為資產賬面值與估計未來現金流量按金融資產原實際利率貼現之現值兩者間之差額。

就按成本列賬之金融資產而言，減值虧損數額以資產賬面值與按同類金融資產現行市場回報率貼現之估計日後現金流量現值之差額計算。該等減值虧損不會於其後期間撥回(見下文會計政策)。

與所有金融資產有關之減值虧損會直接於金融資產之賬面值中作出扣減，惟應收賬款除外，其賬面值則透過撥備賬作出扣減。撥備賬內之賬面值變動會於損益內確認。當應收款項被視為不可收回時，其將於撥備賬內撇銷。於其後重新收回之先前撇銷之款項將計入損益。

當可供出售財務資產需作減值時，於投資重估儲備中累積之損益，將於該期間重新分類到損益中。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

For financial assets measured at amortised cost, 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, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

A financial instrument issued by a group entity, which all of the entities in the Group have no contractual obligation to deliver cash or other financial assets to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Group, is classified as an equity instrument and is initially recorded at the proceeds received. Convertible preference shares issued by the Company that have the above characteristics are classified as equity instruments.

Financial liabilities

Financial liabilities including accounts and other payables and borrowings are subsequently measured at amortised cost, using the effective interest method.

4. 主要會計政策(續)

金融工具(續)

金融資產(續)

金融資產減值(續)

就按已攤銷成本列賬之金融資產而言，倘於隨後期間減值之數額減少，而此項減少能客觀地與確認減值虧損後發生之事項有關，則先前確認之減值虧損於損益撥回，資產於撥回減值當日之賬面值不得超過假設未確認減值時之已攤銷成本。

可供出售股權投資先前已於損益中確認之減值虧損不能通過損益撥回。任何於減值後出現之公允價值增加將於其他全面收益中確認及於重估儲備中累積。

金融負債及股本工具

集團實體發行之債務及股本工具，乃根據合約安排之內容以及金融負債和股本工具之定義被分類為金融負債或股本。

股本工具

股本工具為證明於扣除所有負債後個體之資產剩餘權益之任何合約。由本集團發行之股本工具按已收所得款項減直接發行成本確認。

集團實體發行之金融工具(其不包括本集團向持有人交付現金或其他金融資產或按對本集團而言存在潛在不利之條件與持有人交換金融資產或金融負債之合約責任)分類為股本工具並按已收所得款項初步入賬。具有上述特徵之本公司所發行之可換股優先股乃分類為權益性工具。

金融負債

金融負債包括應收賬款及其他應付款項以及借款，其後按實際利率法以攤銷成本計量。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments (Cont'd)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Convertible notes

The component parts of convertible notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and are amortised over the lives of the convertible notes using the effective interest method.

4. 主要會計政策(續)

金融工具(續)

金融負債及股本工具(續)

實際利率法

實際利率法為計算金融負債攤銷成本及於有關期間分配利息開支之方法。實際利率為可準確將預計年期或在初步確認賬面淨值的較短期間內(如適用)金融負債產生之估計未來現金支出(包括構成實際利率不可或缺部份之已付或已收之一切費用、交易成本及其他溢價或折讓)折算為現值之利率。

利息開支按實際利率基準確認。

可換股票據

本公司所發行之可換股票據之組成部分乃根據合約之實質安排與金融負債及權益性工具之定義分別歸類為金融負債及權益。倘兌換股權將透過以固定金額之現金或另一項金融資產換取固定數目之本集團實體之權益性工具結算，則分類為權益性工具。

於發行日期，負債部分之公允值乃按類似不可轉換工具之現行市場利率估算。該金額乃以實際利率法按攤銷成本列賬為負債，直至因兌換而終絕或有關工具之到期日為止。

分類為權益之兌換股權乃由複合工具整體之公允值扣除負債部分之金額而釐定。此金額在扣除所得稅影響後在權益確認入賬，其後將不會重新計量。此外，分類為權益之兌換股權將保留在權益中，直至兌換股權獲行使為止，而在此情況下，在權益中確認之結餘將轉撥至股份溢價。倘兌換股權於可換股票據到期日仍未獲行使，則在權益中確認之結餘將轉撥至累計虧損。在兌換股權獲兌換或到期時，不會於損益表中確認任何盈虧。

發行可換股票據所涉及之交易成本乃按所得款項總額分配比例分配至負債部分及權益部分。權益部分之相關交易成本直接於權益中扣除。負債部分之相關交易成本計入負債部分之賬面值，並採用實際利率法按可換股票據有效期攤銷。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

Financial liabilities and equity instruments (Cont'd)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

4. 主要會計政策(續)

金融工具(續)

金融負債及股本工具(續)

財務擔保合約

財務擔保合約為本集團須因指定債務人未能根據債務工具之條款支付到期款項致使持有人蒙受損失時，向持有人償付指定款項之合約。

本集團發行之財務擔保合約於初次確認時以公允值計算，倘非指定為按公允值列入損益賬，其後以下列各項之較高者計量：

- (i) 根據香港會計準則第37號撥備、或然負債及或然資產釐定合約項下承擔之金額；及
- (ii) 初次確認之金額減去根據收益確認政策而確認之累計攤銷(如適用)的金額。

終止確認

僅在獲取金融資產所產生現金流量的合同權利到期，或者將金融資產及該資產所有權上幾乎所有的風險和報酬轉讓給另一個實體的情況下，本集團才終止確認一項金融資產。

一旦悉數終止確認金融資產，資產的賬面值與收到及應收的代價與已在其他全面收益中確認並在權益中累計的累積損益之和之間的差額會在損益中確認。

僅在本集團的義務已經履行、解除或其到期時，本集團才終止確認金融負債。終止確認的金融負債的賬面值與支付及應付的代價之間的差額會在損益中確認。

租賃

凡租賃條款將擁有權之絕大部分風險及回報轉移予承租人之租約均列作融資租賃。所有其他租約均列作營業租約。

本集團以出租人身份

營業租約之租金收入於有關租約期內按直線法於損益內確認。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leasing (Cont'd)

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Borrowing costs

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

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

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

4. 主要會計政策(續)

租賃(續)

本集團以承租人身份

營業租約付款於有關租約期內按直線法確認為開支，然而如另有系統性基準較時間性模式更具代表性，租賃資產之經濟效益據此被消耗除外。

租賃土地及樓宇

倘租約包括土地及樓宇部份，則本集團會評估對各部份擁有權所附帶之絕大部分風險及回報是否已轉移至本集團，並根據評估結果將各部份獨立分類為融資或營業租約，除非兩個部份明顯屬於營業租約，於此情況下，整份租約歸類為營業租約。具體來說，最低租賃付款(包括任何一次過預付款)會按訂立租賃時租賃土地部分與樓宇部分租賃權益的相關公允值比例，於土地及樓宇部分之間分配。

倘租賃付款能夠可靠分配，則列為經營租約之租賃土地權益於綜合財務狀況表呈列為「預付租賃款項」，並按直線基準於租期內進行攤銷，惟分類為並以公允值模式列作投資物業者除外。當租賃付款不能可靠地分配土地及樓宇之間，整個租賃一般分類為融資租賃，並入賬為物業、廠房及設備。

借貸成本

與收購、興建或生產附帶限制之資產(即需經過一段相當時間方準備就緒可作擬定用途或可供出售之資產)直接相關之借貸成本均會計入該等資產之成本中，直至資產大致可作擬定用途或可供出售。

特定借貸於撥作為附帶限制之資產開支前所進行之暫定投資而賺取之投資收入會從可資本化之借貸成本中扣除。

所有其他借貸成本於產生期間於損益確認。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

4. 主要會計政策(續)

外幣

在編製各集團個體之財務報表時，以該實體功能貨幣以外貨幣(外幣)進行之交易乃按交易日期之匯率確認。於各報告期末，以外幣結算之貨幣項目按當日之適用匯率重新換算。以外幣結算並按公允價值列賬之非貨幣項目則按釐定公允價值當日之適用匯率重新換算。按歷史成本以外幣計量之非貨幣項目不會重新換算。

貨幣項目之匯兌差額於產生差異期間在損益中確認，惟下列者除外：

- 與日後生產用途之在建資產相關的外幣借貸產生之匯兌差額，該等匯兌差額會被視為外幣借貸之利息成本之調整時計入該等資產之成本；
- 為對沖若干外幣風險而訂立之交易所產生之匯兌差額；及
- 應收或應付一項海外業務既無計劃亦不可能發生結算(因此構成海外業務投資淨額之一部份)之貨幣項目匯兌差額，該等匯兌差額初始時於其他全面收益確認，並於償還貨幣項目時由權益重新分類至損益。

為呈列綜合財務報表，本集團海外業務之資產及負債按報告期末之匯率換算為本集團之呈列貨幣(即人民幣)。收入及開支項目則按期內之平均匯率換算，惟倘期內匯率出現大幅波動，則採用交易日現行之匯率換算。由此產生之匯兌差額(如有)於其他全面收入確認並累計於權益中換算儲備。

於出售海外業務(即出售本集團海外業務之全部權益，或出售涉及喪失包括海外業務之附屬公司之控制權)時，就本公司擁有人應佔該業務而於權益累計之所有匯兌差額會重新分類至損益。

此外，倘部份出售附屬公司而並無導致本集團喪失對附屬公司之控制權，則按比例分佔之累計匯兌差額會重新歸屬於非控股權益，且不會於損益內確認。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share options reserve.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme, are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

4. 主要會計政策(續)

以股份為基礎付款之股本結算交易

所獲得服務之公允價值乃參考所授出購股權於授出日期之公允價值釐定，並按歸屬期以直線法支銷，同時增加購股權儲備之相應數額。

於各報告期末，本集團修訂其對預期最終歸屬之購股權數目之估計。修訂原有估計之影響(如有)乃於損益內確認，而此等累計開支反映經修訂之估計，並會在購股權儲備中作出相應調整。

於購股權獲行使時，過往於購股權儲備中確認之數額將轉撥至股份溢價。倘購股權於歸屬日期後被沒收或於屆滿日期仍未獲行使，則過往於購股權儲備中確認之數額將轉撥至保留溢利。

退休福利費用

向定額供款退休福利計劃(包括國營退休福利計劃及強制性公積金計劃)支付之款項在僱員提供服務而有權獲得有關供款時列作開支。

稅項

所得税支出指即期應付稅項及遞延稅項之總額。

即期應付稅項乃按本年度應課稅盈利計算。應課稅盈利與綜合損益表中所呈報之「除稅前盈利」不同，原因是於其他年度應課稅或可扣稅之收入或開支與從未課稅或扣稅之項目之差別。本集團之即期稅項負債按於呈報期末前已頒佈或實際上已頒佈之稅率計算。

遞延稅項以綜合財務報表中之資產及負債賬面值與計算應課稅盈利之相應稅基之臨時差額確認入賬。遞延稅項負債通常會就所有應課稅臨時差額確認，而遞延稅項資產通常會就所有可扣稅臨時差額按可能出現可利用該等臨時差額扣稅之應課稅盈利時確認。倘於一項交易中，因商譽或因業務合併以外原因初次確認其他資產及負債而引致之臨時差額既不影響應課稅盈利亦不影響會計盈利，則不會確認該等遞延稅項資產及負債。此外，倘初始確認商譽產生暫時差額，則不會確認遞延稅項負債。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Taxation (Cont'd)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. 主要會計政策(續)

稅項(續)

遞延稅項負債就附屬公司投資及合營公司權益有關之應課稅暫時差額確認，惟倘本集團能夠控制暫時差額之撥回，且暫時差額於可見未來可能不會撥回則除外。與該等投資及權益相關之可扣稅暫時差額所產生之遞延稅項資產僅於可能有足夠應課稅盈利以使用暫時差額之利益且預計於可見將來可以撥回時確認。

遞延稅項資產之賬面值於各報告期末審閱，並於可能不再有足夠應課稅盈利以收回全部或部分資產之情況下作出相應扣減。

遞延稅項資產及負債按預期於負債清償或資產變現時應用，並按於報告期末已頒佈或實質上頒佈之稅率(及稅法)計算之稅率計量。

遞延稅項負債及資產之計量反映依循本集團預期於報告期末收回或清償其資產及負債賬面值之方式所產生之稅務結果。

就計量按公允值模式計量之投資物業之遞延稅項負債而言，該等物業之賬面值乃假設將通過銷售全部收回，除非該假設遭推翻則另作別論。倘投資物業可予折舊，而持有投資物業的商業模式之目的為隨時間消耗投資物業所包含之絕大部分經濟利益，而非銷售，則該假設即被推翻。

即期及遞延稅項於損益內確認，惟當其涉及於其他全面收入確認或直接於權益確認之項目除外，屆時即期及遞延稅項亦分別會於其他全面收入確認或直接於權益確認。倘因業務合併之初步入賬產生即期稅項或遞延稅項，有關稅務影響會計入業務合併。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 4, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Income tax

The Group is subject to income tax in various jurisdictions. Significant judgement is required in determining the amount of the provision of tax and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in periods in which such determination are made.

The Group is subject to land appreciation tax ("LAT") in People's Republic of China (the "PRC"). However, the implementation and settlement of this tax varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised certain LAT calculation and payments with local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount on the appreciation of land value and its related LAT. The Group recognised LAT based on management's best estimates according to the understanding of the tax rules.

During the year, the Group incurred LAT of approximately RMB50,400,000 (2014: RMB472,435,000) which was charged to the consolidated statement of profit or loss as income tax expense. The directors of the Company considered the amount charged to the consolidated statement of profit or loss to be adequate as this is calculated according to the method which is in compliance with the existing rules and interpretation of LAT.

5. 重要會計判斷及主要估計不確定性來源

於應用附註4所載之本集團會計政策時，董事須就從其他來源並非顯而易見之資產及負債賬面值作出判斷、估計及假設。估計及相關假設乃基於過往經驗及認為屬相關之其他因素作出。實際結果可能有別於該等估計。

估計及相關假設會持續檢討。倘若會計估計修訂只影響修訂估計之期間，則有關修訂會在該期間確認；倘若有關修訂既影響當期，亦影響未來期間，則有關修訂會在修訂期間及未來期間確認。

應用會計政策的重要判斷

以下乃董事於應用本集團會計政策過程中所作對綜合財務報表確認之數額構成最重大影響之重要判斷，惟涉及估計者除外(見下文)。

所得稅

本集團須繳納不同司法權區的所得稅。釐定稅項撥備的金額及支付相關稅項的時間須作出重大判斷。當最終稅項結果不同於最初記錄的金額時，有關差額將對作出該等釐定期間的所得稅及遞延稅項撥備產生影響。

本集團在中華人民共和國(「中國」)須繳付土地增值稅(「土地增值稅」)。然而，中國城市不同稅收管轄區對土地增值稅的執行及結算不盡相同，而本集團尚未與中國任何地方稅務局落實其若干土地增值稅的計算及付款方法。因此，須作出重大判斷以釐定土地增值額及其相關土地增值稅。本集團根據管理層以其對稅務規則的理解作出的最佳估計，確認土地增值稅。

年內，本集團產生土地增值稅約人民幣50,400,000元(二零一四年：人民幣472,435,000元)，作為所得稅開支自綜合損益表中扣除。本公司董事認為，自綜合損益表中扣除的該筆款額充分，因為此乃根據符合土地增值稅現有規則及詮釋的方法計算。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Critical judgements in applying accounting policies (Cont'd)

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have determined that certain of the Group's investment properties as at 31 December 2015 amounting to RMB11,919,159,000 (2014: RMB11,328,026,000) situated in the PRC are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. The presumption that the carrying amounts of certain of the Group's investment properties situated in the PRC are recovered entirely through sale has been rebutted and the deferred tax on the changes in fair value of these investment properties is recognised according to the relevant tax rules. For remaining investment properties amounting to RMB54,293,000 (2014: RMB56,390,000), the presumption that the carrying amounts of these investment properties measured using fair value model were recovered entirely through sales was not rebutted. As a result, the Group has recognised additional deferred tax in respect of the LAT as the property holding companies in the PRC are subject to LAT and enterprise income tax ("EIT") in the PRC upon disposal of the properties.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may 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.

Income tax

As at 31 December 2015, a deferred tax asset of RMB78,403,000 (2014: RMB99,329,000) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised in respect of tax losses of RMB104,384,000 (2014: RMB105,638,000) as it is not probable that taxable profit will be available due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, additional recognition of deferred tax assets may arise, which would be recognised in the consolidated statement of profit or loss for the period in which it takes place.

5. 重要會計判斷及主要估計不確定性來源(續)

應用會計政策的重要判斷(續)

投資物業遞延稅項

就計量由使用公允價值模型計量的投資物業所產生的遞延稅項負債或遞延稅項資產而言，本公司董事決定本集團於二零一五年十二月三十一日金額為人民幣11,919,159,000元(二零一四年：人民幣11,328,026,000元)的若干位於中國的投資物業乃根據旨在假以時日而非透過出售消耗投資物業所包含的絕大部分經濟利益的業務模式持有。本集團若干位於中國的投資物業賬面值可因出售而完全收回的假設已被駁回，而就該等投資物業的公允價值變動而產生的遞延稅項乃根據相關稅項規定確認。餘下投資物業為人民幣54,293,000元(二零一四年：人民幣56,390,000元)，就該等投資物業而言，該等使用公允價值模式計量的投資物業賬面值可透過銷售全面收回的推定未被駁回。因此，本集團就該等投資物業土地增值稅確認額外遞延稅項，因其在中國的地產控股公司於中國出售物業需繳交土地增值稅及企業所得稅(「企業所得稅」)。

主要估計不確定性來源

以下論述有關導致資產及負債的賬面值於下個財政年度出現重大調整的重大風險的未來相關重要假設及估計不確定因素的其他主要來源。

所得稅

於二零一五年十二月三十一日，有關未動用稅項虧損之遞延稅項資產人民幣78,403,000元(二零一四年：人民幣99,329,000元)已於本集團綜合財務狀況表中確認。由於未來盈利來源的不可預測性，將不太可能取得應課稅盈利，因此並無就稅項虧損人民幣104,384,000元(二零一四年：人民幣105,638,000元)確認遞延稅項資產。遞延稅項資產的變現能力主要取決於未來是否有足夠的未來盈利或應課稅臨時差額。如所產生的實際未來盈利高於預期，可能產生遞延稅項資產的額外確認，並於產生該項確認的期間於綜合損益表內確認。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Fair value of investment properties

Investment properties with the aggregate carrying amount as at 31 December 2015 of RMB11,973,452,000 (2014: RMB11,384,416,000) are stated at fair value based on the valuation performed by independent professional valuers. The fair value of the investment properties was determined by reference to valuations conducted on these properties by an independent firm of property valuers using property valuation techniques which involve certain assumptions may result in changes in the fair value of the Group's investment properties and corresponding adjustments to the changes in fair value reported in the consolidated statement of profit or loss and the carrying amount of these properties included in the consolidated statement of financial position.

Information about valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties are disclosed in note 14.

Net realisable value assessment of properties held for sale and properties under development for sale

The directors of the Company determines the net realisable value of completed properties held for sale with carrying amount of RMB3,293,741,000 (2014: RMB802,574,000) by using prevailing market data such as most recent sale transactions and market survey reports available from independent qualified professional valuers, and internal estimates of costs based on quotes by suppliers.

The directors of the Company's assessment of net realisable value of properties under development for sale with carrying amount of RMB2,109,719,000 (2014: RMB4,557,695,000) requires the estimates of future cash flows to be derived from these properties. These estimates requires judgement as to the anticipated sale prices by reference to recent sales transactions in nearby locations, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions.

The Group has recognised an impairment loss amounting to RMB1,840,000 for the year ended 31 December 2014 (2015: nil), which was included in cost of sales. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, a further loss will be recognised on the properties under development for sale and properties held for sale in the consolidated statement of profit or loss.

5. 重要會計判斷及主要估計不確定性來源(續)

主要估計不確定性來源(續)

投資物業公允價值

於二零一五年十二月三十一日，總賬面值為人民幣11,973,452,000元(二零一四年：人民幣11,384,416,000元)的投資物業乃基於獨立專業估值師行的估值按公允價值列賬。投資物業之公允價值乃參考獨立物業估值公司採用物業估值法(涉及若干假設)對該等物業進行之估值而釐定。該等假設可能導致本集團投資物業的公允價值出現變動，並對綜合損益表所呈報之公允價值變動以及綜合財務狀況表所列之該等物業之賬面值作出相應調整。

有關釐定投資物業公允價值所採用的估值技術、輸入數據及主要假設資料披露於附錄14。

待售物業及發展中待售物業的可變現淨值

本公司董事採用最新銷售交易及獨立合資格專業估值師行提供的市場調查報告等現行市場數據，以及由內部以供應商所報成本編製估算而釐定待出售的建成物業的可變現淨值賬面值為人民幣3,293,741,000元(二零一四年：人民幣802,574,000元)。

本公司董事對發展中物業的可變現淨值賬面值為人民幣2,109,719,000元(二零一四年：人民幣4,557,695,000元)的評估須按有關物業未來的現金流量估計。有關估算須根據附近地點的近期銷售交易、推廣費用(包括促銷的價格折扣)及有關預計完成物業的費用、法律和監管架構及一般市況，從而判斷出預期的銷售價格。

截至二零一四年十二月三十一日止年度，本集團已確認減值虧損人民幣1,840,000元(二零一五年：無)，有關金額已計入銷售成本。倘中國房地產市場情況的任何變動使預期銷售價格下跌，將於綜合損益表中的發展中待售物業及待售物業確認進一步虧損。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the income from property development, property leasing and provision of comprehensive services, net of business tax and other sales related taxes and after deduction of any trade discounts.

In identifying its operating segments, the executive directors of the Company, being the chief operating decision markers, generally follows the Group's service lines, which represent the main products and services provided by the Group. The Group has identified the following reportable segments:

- Property development and sales: sales of properties
- Commercial property investment and operations: lease of commercial properties, office premises and car parks
- Comprehensive services: hotel operation, property management service and others

Each of these operating segments is managed separately as each of these products and service lines requires different resources as well as marketing approaches.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segment:

For the year ended 31 December 2015

		Property development and sales 物業開發 及銷售 RMB'000 人民幣千元	Commercial property investment and operations 商業物業 投資與經營 RMB'000 人民幣千元	Comprehensive services 綜合服務 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Revenue:	收益：				
From external customers	來自外部客戶	575,881	412,637	221,752	1,210,270
Inter-segment revenue	分類間收益	–	9,508	–	9,508
Total segment revenue	分類收益總額	575,881	422,145	221,752	1,219,778
Reportable segment profit	可報告分類盈利	181,123	352,184	102,076	635,383

6. 收益及分類資料

收入為來自物業發展、物業租賃及提供綜合服務的收入，並扣除營業稅及其他銷售有關稅項以及任何交易折扣。

本公司執行董事(即主要營運決策人)通常根據本集團的服務(即本集團提供的主要產品及服務)確定經營分類。本集團已確定下列呈報分類：

- 物業發展及銷售：物業銷售
- 商業物業投資與經營：商業物業、辦公室及停車場租賃
- 綜合服務：酒店營運、物業管理服務及其他

由於各產品及服務需要不同的資源及營銷方式，各經營分類單獨管理。

分類收益及業績

以下為本集團按經營及可呈報分類的收益及業績的分析：

截至二零一五年十二月三十一日止年度

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

6. REVENUE AND SEGMENT INFORMATION (Cont'd)

6. 收益及分類資料(續)

Segment revenues and results (Cont'd)

分類收益及業績(續)

For the year ended 31 December 2014 (restated)

截至二零一四年十二月三十一日止年度(經重列)

		Property development and sales 物業開發及 銷售 RMB'000 人民幣千元	Commercial property investment and operations 商業物業 投資與經營 RMB'000 人民幣千元	Comprehensive services 綜合服務 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Revenue:	收益:				
From external customers	來自外部客戶	4,687,470	359,344	198,534	5,245,348
Inter-segment revenue	分類間收益	–	9,231	–	9,231
Total segment revenue	分類收益總額	4,687,470	368,575	198,534	5,254,579
Reportable segment profit	可報告分類盈利	2,056,436	283,785	85,976	2,426,197

Inter-segment sales are mutually agreed terms.

分類間銷售按共同協定之條款進行。

Reconciliations of reportable segment revenue, profit or loss

可呈報分部收益、損益之對、資產及負債之對賬

The Group does not allocate fair value changes on investment properties, other income, depreciation and amortisation, finance costs, share of results of joint ventures and corporate expenses to individual reportable segment profit or loss for the purposes of resource allocation and performance assessment by the chief operating decision makers.

本集團並無就主要營運決策者對資源分配及表現評估而將投資物業公允價值變動、其他收益、折舊及攤銷、融資成本、應佔合營公司業績及企業開支分配至獨立可呈報分部之損益內。

The accounting policies adopted in preparing the reportable segment information are the same as the Group's accounting policies described in note 4.

編製可呈報分部資料所採納之會計政策與本集團附註4所述會計政策相同。

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Revenue	收益		
Reportable segment revenue	可報告分類收益	1,219,778	5,254,579
Elimination of inter-segment revenue	對銷分類間收益	(9,508)	(9,231)
Consolidated revenue	綜合收益	1,210,270	5,245,348
Profit	盈利		
Reportable segment profit	可報告分類盈利	635,383	2,426,197
Fair value changes on investment properties	投資物業的公允價值變動	473,046	887,591
Other income	其他收益	60,819	23,594
Depreciation and amortisation	折舊及攤銷	(52,687)	(49,313)
Finance costs	融資成本	(262,868)	(218,322)
Share of results of joint ventures	應佔合營公司業績	(30)	(40)
Corporate expenses	公司開支	(262,586)	(172,867)
Consolidated profit before taxation	除稅前綜合盈利	591,077	2,896,840

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

6. REVENUE AND SEGMENT INFORMATION (Cont'd)

Segment assets and liabilities

The following is an analysis of the Group's assets by reportable and operating segment, no liabilities are presented as the information is not reportable to the chief operating decision makers in the resource allocation and assessment of performance:

Segment assets

Assets	資產	2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Property development and sales	物業發展及銷售	5,615,955	5,375,896
Commercial property investment and operations	商業物業投資與經營	11,973,614	11,385,755
Comprehensive services	綜合服務	240,996	248,391
Reportable segment assets	可報告分類資產	17,830,565	17,010,042
Goodwill	商譽	231,602	231,602
Available-for-sale investments and other current assets	可供出售投資及其他流動資產	423,267	679,477
Bank balances and cash (including restricted bank deposits)	銀行結餘及現金(包括受限制銀行存款)	2,768,003	2,175,174
Deferred tax assets	遞延稅項資產	199,785	222,360
Interests in joint ventures	於合營公司的權益	525,393	521,757
Corporate assets	公司資產	2,013,312	1,020,236
Consolidated total assets	綜合總資產	23,991,927	21,860,648

For the purpose of monitoring segment performance and allocating resources between segments, all assets are allocated to operating segments other than goodwill, interests in joint ventures, available-for-sale investments and other current assets, bank balances and cash (including restricted bank deposits), deferred tax assets and corporate assets.

Geographical information

No geographical information is presented as the operations, major customers and assets of the Group are substantially located in the PRC.

No major customers contributed over 10% of the total sales of the Group for the years ended 31 December 2015 and 2014.

6. 收益及分類資料(續)

分類資產及負債

以下為本集團按可呈報及經營分類的資產分析，由於毋須就資源分配及評估業績向主要營運決策者呈報負債，因此並無呈列該等資料：

分類資產

Assets	資產	2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Property development and sales	物業發展及銷售	5,615,955	5,375,896
Commercial property investment and operations	商業物業投資與經營	11,973,614	11,385,755
Comprehensive services	綜合服務	240,996	248,391
Reportable segment assets	可報告分類資產	17,830,565	17,010,042
Goodwill	商譽	231,602	231,602
Available-for-sale investments and other current assets	可供出售投資及其他流動資產	423,267	679,477
Bank balances and cash (including restricted bank deposits)	銀行結餘及現金(包括受限制銀行存款)	2,768,003	2,175,174
Deferred tax assets	遞延稅項資產	199,785	222,360
Interests in joint ventures	於合營公司的權益	525,393	521,757
Corporate assets	公司資產	2,013,312	1,020,236
Consolidated total assets	綜合總資產	23,991,927	21,860,648

為監測分類業績及分類間的資源分配，除商譽、於合營公司的權益、可供出售投資及其他流動資產、銀行結餘及現金(包括受限制銀行存款)、遞延稅項資產及公司資產外，所有資產分配至經營分類。

地區資料

由於本集團的業務、主要客戶及資產大多位於中國，故並無呈列地區資料。

截至二零一五年及二零一四年十二月三十一日止年度並無主要客戶佔本集團總銷售額超出10%。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

7. OTHER INCOME

7. 其他收益

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Interest income	利息收入	23,243	12,928
Investment income	投資收入	12,511	9,372
Dividend income	股息收入	5,040	-
Gain on disposal of property, plant and equipment	出售物業、廠房及設備的收益	-	146
Foreign exchange gain, net	匯兌收益淨額	3,347	-
Recovery of other receivables written off in prior year	撥回其他應收款項及上年度撇銷	8,363	-
Others	其他	8,315	1,148
		60,819	23,594

8. FINANCE COSTS

8. 融資成本

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Interest on bank and other borrowings	銀行及其他借款利息	593,928	588,665
Front-end fee	前期費用	9,493	3,099
Less: Amount capitalised in investment properties under development and properties under development for sale *	減：撥作在建投資物業及待售物業開發之款額*	(340,553)	(373,442)
		262,868	218,322

* The finance costs have been capitalised at rates ranging from 5.29% to 8.46% (2014: 5.40% to 9.50%) per annum.

* 融資成本乃按年息率5.29%至8.46% (二零一四年：5.40%至9.50%)之息率資本化。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

9. PROFIT BEFORE TAX

9. 除稅前盈利

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Profit before tax is arrived at after charging (crediting):	除稅前盈利乃經扣除(計入):		
Cost of properties sold	售出物業的成本	394,758	2,629,194
Impairment loss on properties held for sale	待售物業的減值虧損	-	1,840
Cost of properties held for sale recognised as expense	確認為開支的待售物業成本	394,758	2,631,034
Depreciation of property, plant and equipment	物業、廠房及設備折舊	52,726	49,333
Less: Amount capitalised in investment properties under development and properties under development for sale	減：撥充在建投資物業及發展中待售物業資本化的數額	(39)	(20)
		52,687	49,313
Gross rental income from investment properties	投資物業所得租金收益總額	412,637	359,344
Outgoings in respect of investment properties that generated rental income during the year	有關於本年度產生租金收入之投資物業的開支	(60,453)	(75,559)
		352,184	283,785
Operating lease charges in respect of land and buildings	有關土地及樓宇的經營租賃費用	25,857	25,912
Impairment loss on accounts receivable	應收賬款減值虧損	59	307
Write-down on other receivables	撇減其他應收款項	19,627	-
Auditor's remuneration	核數師酬金	2,737	1,520
Staff costs	員工成本		
– Directors' emoluments (note 11)	– 董事酬金(附註11)	8,146	7,070
– Salaries and other benefits in kind	– 薪金及其他實物利益	136,709	125,990
– Amount recognised as expense for retirement benefit costs	– 確認為退休福利成本開支的數額	10,161	8,198
Less: Amount capitalised in investment properties under development and properties under development for sale	減：撥充在建投資物業及發展中待售物業資本化的數額	(9,189)	(8,389)
		145,827	132,869
Loss on disposal of property, plant and equipment	出售物業、廠房及設備的虧損	86	-
Foreign exchange loss, net	匯兌虧損淨額	-	582

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

10. INCOME TAX EXPENSE

10. 所得稅開支

	Notes 附註	2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Current tax	即期稅項		
PRC EIT	中國企業所得稅		
– Current year	– 本年度	71,759	432,697
– Underprovision in prior year	– 過往年度撥備不足	12,684	–
		84,443	432,697
PRC LAT	中國土地增值稅	50,400	472,435
Dividend withholding tax	股息預扣稅		
– Overprovision in prior year (note 19)	– 過往年度超額撥備(附註19)	(28,680)	–
		106,163	905,132
Deferred taxation (note 19)	遞延稅項(附註19)	60,329	243,134
Total income tax expense	所得稅開支總額	166,492	1,148,266

Notes:

- (a) Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.
- No Hong Kong Profits Tax has been provided for as the Group had no estimated assessable profits for both years.
- (b) Under the Provisional Rules on LAT Implementation Rules of the PRC implemented on 27 January 1995, all gains from the sales or transfer of land use rights, buildings and their attached facilities in the PRC are subject to LAT 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 cost of land use rights and all property development expenditures.
- (c) Dividend withholding tax was overprovided as the tax authority agreed to charge at 5% on the dividend paid of which 10% was made in prior year.

附註:

- (a) 根據中華人民共和國企業所得稅法(「企業所得稅法」)及企業所得稅法實施條例，自二零零八年一月一日起，中國附屬公司的稅率為25%。
- 由於本集團於兩個年度並無任何估計應課稅盈利，故此並無就香港利得稅計提撥備。
- (b) 根據於一九九五年一月二十七日實施的中國土地增值稅暫行條例實施細則，所有因銷售或轉讓於中國的土地使用權、樓宇及其相關設施而獲得的收益，均須繳納土地增值稅，稅款按土地增值額(即銷售物業所得款項減可扣減支出，包括土地使用權成本及所有物業發展開支)以累進率計算，由30%至60%不等。
- (c) 由於稅務機關同意就已付股息(其中10%於過往年度作出)按5%徵收費用，故股息預扣稅超額撥備。

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

本年度所得稅開支可與綜合損益表的除稅前盈利對賬如下：

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Profit before tax	除稅前盈利	591,077	2,896,840
Tax at the PRC EIT at 25% (2014: 25%)	按25%稅率(二零一四年: 25%)	147,770	724,210
Tax effect of expenses not deductible for tax purposes	不可扣稅開支的稅務影響	1,173	3,808
Tax effect of income not taxable for tax purposes	毋須課稅收益的稅務影響	(4,424)	(8,284)
Tax effect of temporary difference arising from withholding tax for undistributed profits	未分派盈利預扣稅的暫時差額所產生的稅務影響	1,707	71,124
Tax effect of tax losses not recognised	未確認稅項虧損的稅務影響	611	7,315
Utilisation of tax losses previously not recognised	動用先前未確認之稅項虧損	(706)	–
PRC LAT charge	中國土地增值稅支出	50,400	472,435
Tax effect of PRC LAT charge	中國土地增值稅支出之稅務影響	(12,600)	(118,109)
Overprovision in prior year, net	過往年度超額撥備淨值	(15,996)	–
Others	其他	(1,443)	(4,233)
Income tax expense for the year	本年度所得稅開支	166,492	1,148,266

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 8 (2014: 16) directors were as follows:

	Fees	Salaries and allowance	Gratuity and discretionary bonus (note d) 約滿酬金及酌情花紅 (附註d)	Contributions to retirement benefit scheme	Total
	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
2015					
Executive directors					
Miss Huang Jingshu		2,314	–	–	2,314
Mr. Yim Chun Leung		2,644	–	132	2,776
Mr. Ye Xingan		1,004	–	43	1,047
Mr. Chen Tieshen		759	–	37	796
Ms. Deng Chengying		600	–	–	600
		7,321	–	212	7,533
Independent non-executive directors					
Mr. Zhu Jiu Sheng	213	–	–	–	213
Mr. Wang Jing	187	–	–	–	187
Ms. Hu Gin Ing	213	–	–	–	213
	613	–	–	–	613
	613	7,321	–	212	8,146

11. 董事及僱員酬金

(a) 董事酬金

已付或應付8名(二零一四年: 16名)董事各自的薪酬如下:

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)

11. 董事及僱員酬金(續)

(a) Directors' emoluments (Cont'd)

(a) 董事酬金(續)

		Notes 附註	Fees 袍金 RMB'000 人民幣千元	Salaries and allowance 薪金及津貼 RMB'000 人民幣千元	Gratuity and discretionary bonus (note d) 約滿酬金 及酌情花紅 (附註d) RMB'000 人民幣千元	Contributions to retirement benefit scheme 退休福利 計劃供款 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
2014 (restated)	二零一四年 (經重列)						
Executive directors	執行董事						
Miss Huang Jingshu	黃敬舒小姐	(a)	–	1,374	–	–	1,374
Mr. Yim Chun Leung	嚴振亮先生	(c)	–	1,599	–	80	1,679
Mr. Ye Xingan	葉興安先生	(a)	–	922	264	26	1,212
Mr. Chen Tieshen	陳鐵身先生	(a)	–	753	199	26	978
Ms. Deng Chengying	鄧承英女士	(a)	–	659	165	26	850
Mr. C. F. Tao	陶哲甫先生	(b)	–	98	–	5	103
Mr. Richard Tao	陶家祈先生	(b)	–	139	–	7	146
Mr. Paul Tao	陶錫祺先生	(b)	–	139	–	7	146
Mr. Kong Mui Sum Lawrence	江淼森先生	(b)	–	147	–	7	154
			–	5,830	628	184	6,642
Non-executive director	非執行董事						
Mr. Chan Bernard Charnwut	陳智思先生	(b)	15	–	–	–	15
Independent non-executive directors	獨立非執行董事						
Mr. Zhu Jiu Sheng	祝九勝先生	(a)	126	–	–	–	126
Mr. Wang Jing	王敬先生	(a)	111	–	–	–	111
Ms. Hu Gin Ing	胡競英女士	(a)	126	–	–	–	126
Mr. Wong Gary Ka Wai	王家偉先生	(b)	20	–	–	–	20
Mr. Sun Leland Li Hsun	孫立勳先生	(b)	15	–	–	–	15
Mr. Chan Norman Enrique	陳樂文先生	(b)	15	–	–	–	15
			413	–	–	–	413
			428	5,830	628	184	7,070

Notes: (a) Appointed on 15 May 2014

附註：(a) 於二零一四年五月十五日獲委任

(b) Resigned on 5 June 2014

(b) 於二零一四年六月五日退任

(c) Acted as the Chief Executive Officer of the Company since 7 July 2014

(c) 於二零一四年七月七日起作為本公司行政總裁

(d) During the year ended 31 December 2014, certain executive directors of the Company are entitled to bonus payment which are determined based on the Group's financial performance

(d) 截至二零一四年十二月三十一日止年度，本公司若干執行董事有權享有按本集團財務表現釐定的額外津貼。

No share option was granted to directors of the Company for the years ended 31 December 2015 and 2014.

截至二零一五年及二零一四年十二月三十一日止年度，概無本公司董事獲授任何購股權。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)

(a) Directors' emoluments (Cont'd)

No directors waived or agreed to waive any emoluments for the years ended 31 December 2015 and 2014.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

(b) Employees' emoluments

The five highest paid employees of the Group during the year included three directors (2014: five directors). Details of the remuneration for the year of the remaining two (2014: nil) highest paid employees who are neither a director nor chief executive of the Company are as follows:

		2015 RMB'000 二零一五年 人民幣千元	2014 RMB'000 (restated) 二零一四年 人民幣千元 (經重列)
Salaries, allowance and benefits in kind	薪酬、津貼及實物福利	1,933	–
Retirement benefits	退休福利	58	–
		1,991	–

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the followings bands is as follows:

		2015 No. of employees 二零一五年 僱員數目	2014 No. of employees 二零一四年 僱員數目
Nil to RMB 1,000,000	零至人民幣1,000,000元	1	–
RMB 1,000,001 to RMB 1,500,000	人民幣1,000,001元至人民幣1,500,000元	1	–
		2	–

11. 董事及僱員酬金(續)

(a) 董事酬金(續)

截至二零一五年及二零一四年十二月三十一日止年度，概無董事放棄或同意放棄任何酬金。

上表所列執行董事的酬金主要為彼等與本公司及本集團管理事宜相關服務的報酬。獨立非執行董事的酬金乃主要為彼等擔任本公司董事的報酬。

(b) 僱員酬金

於年內，本集團五位最高薪酬僱員當中，包括三名董事(二零一四年：五名)。年內餘下兩名並非本公司董事亦非行政總裁之最高薪酬僱員(二零一四年：無)之薪酬如下：

介乎下列酬金範圍之並非本公司董事亦非行政總裁之最高薪酬僱員人數如下：

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

12. DIVIDENDS

During the year ended 31 December 2015 (before the Completion Date of the Transactions), certain subsidiaries of the Target Group declared and made dividends of RMB582,695,000 (Note 35) and RMB16,360,000 to Mr. Wong and a non-controlling interest of a subsidiary, respectively.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2015 of 1 HK cent (equivalent to approximately 0.8 RMB cents) (2014: nil) per ordinary share of the Company has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

12. 股息

截至二零一五年十二月三十一日止年度(交易完成日期前)，目標集團之若干附屬公司分別向黃先生及一間子公司的非控股權益款項宣派及作出股息人民幣582,695,000元(附註35)及人民幣16,360,000元。

報告期末後，本公司董事會建議派發截至二零一五年十二月三十一日止年度本公司末期股息每股普通股1港仙(相當於約0.8人民幣分)(二零一四年：無)，惟須待股東於應屆股東週年大會上批准。

13. 每股盈利

本公司擁有人應佔每股基本及攤薄盈利乃基於以下數據計算：

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Earnings	盈利		
Earnings for the purposes of basic and diluted earnings per share	用於計算每股基本及攤薄盈利的盈利	417,780	1,746,606
		2015 二零一五年	2014 二零一四年 (restated) (經重列)
Number of shares	股份數目		
Weighted average number of ordinary shares of the Company for the purpose of basic earnings per share	用於計算每股基本盈利的本公司普通股加權平均數	3,961,527,997	3,863,058,529
Effect of dilutive potential ordinary shares in respect of	以下各項就潛在攤薄普通股的影响		
– Share options	– 購股權	–	6,867,344
– Convertible notes	– 可換股票據	–	21,718,555
– Convertible preference shares	– 可換股優先股	3,413,473,023	3,413,473,023
Weighted average number of ordinary shares of the Company for the purpose of diluted earnings per share	就計算每股攤薄盈利的本公司普通股加權平均數	7,375,001,020	7,305,117,451

The weighted average number of ordinary shares for the purposes of basic earnings per share for each period presented has been determined based on the sum of weighted average ordinary shares of the Company in issue during 2015 of 1,452,185,486 (2014: 1,353,716,018) and 2,509,342,511 (2014: 2,509,342,511) ordinary shares of the Company issued on 30 November 2015 as consideration for the Transaction.

就每個呈報期間的每股盈利而言，普通股加權平均數的釐定基於二零一五年本公司已發行普通股加權平均數1,452,185,486股(二零一四年：1,353,716,018股)及本公司於二零一五年十一月三十日就交易代價發行普通股2,509,342,511股(二零一四年：2,509,342,511股)。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

14. INVESTMENT PROPERTIES

14. 投資物業

		Completed investment properties	Investment properties under development at fair value	Total
		已落成投資物業 RMB'000 人民幣千元	按公允價值入賬之 發展中投資物業 RMB'000 人民幣千元	總計 RMB'000 人民幣千元
At 1 January 2014 (restated)	於二零一四年一月一日 (經重列)	8,343,804	1,426,960	9,770,764
Additions	添置	–	476,921	476,921
Arising from the Acquisition (note 33)	自收購產生(附註33)	249,140	–	249,140
Increase in fair value recognised in profit or loss	於損益中確認公允價值增加	572,722	314,869	887,591
At 31 December 2014 (restated)	於二零一四年 十二月三十一日(經重列)	9,165,666	2,218,750	11,384,416
Additions	添置	–	78,503	78,503
Acquisition of subsidiaries (note 34)	收購附註公司(附註34)	227,890	–	227,890
Disposals	出售	(190,403)	–	(190,403)
Transfer upon completion	完成時轉讓	1,431,646	(1,431,646)	–
Increase in fair value recognised in profit or loss	於損益中確認之 公允價值增加	441,618	31,428	473,046
At 31 December 2015	於二零一五年 十二月三十一日	11,076,417	897,035	11,973,452

All the completed investment properties are rented out under operating leases or are held for capital appreciation purposes.

所有已完工投資物業均已根據經營租賃出租或為資本增值目的而持有。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

14. INVESTMENT PROPERTIES (Cont'd)

The fair values of the Group's investment properties with aggregate carrying value of RMB11,973,452,000 which represents the whole amounts of investment properties as at 31 December 2015 (2014: RMB11,143,025,000) were arrived at on the basis of valuations carried out on those dates by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, whereas the remaining amount RMB241,391,000 as at 31 December 2014 were arrived at on the basis of valuation carried out on those dates by Messrs Knight Frank Petty Limited, both of which were independent qualified professional valuers not connected to the Group and adopted the same valuation method.

For completed investment properties, the valuations have been arrived at using capitalisation of net income method, where the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuer for the similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties.

For investment properties under development that are measured at fair value, the valuations have been arrived at market-based approach assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. The key inputs in the valuations include the market value of the completed investment properties, which are estimated with reference to sales evidence of similar properties in the nearest locality, with adjustments made to account for differences in locations and other factors specific to the respective properties based on the valuers' judgement. Costs of development are also taken into account including construction costs, finance costs and professional fees, as well as developer's profit margin which reflects the remaining risks associated with the development of the properties at the valuation date and the return that the developer would require for bringing them to completion status, which is determined by the valuers based on its analyses of recent land transactions and market value of similar completed properties in the respective locations.

In estimating the fair value of the properties, the management has taken into consideration the highest and best use of the properties.

14. 投資物業(續)

於二零一五年十二月三十一日，本集團合共賬面值（指投資物業之全部款項）人民幣11,973,452,000元（二零一四年：人民幣11,143,025,000元）之投資物業之公允價值乃根據仲量聯行企業評估及諮詢有限公司於該日所進行的估值釐定，而於二零一四年十二月三十一日的剩餘款項為人民幣241,391,000元乃根據萊坊測計師行有限公司於該日所進行的估值釐定，該等公司均為與本集團並無關連之獨立合資格專業估值師，並採納相同估值方法。

就已完工投資物業而言，該估值乃主要採用將收入淨額撥充資本的方法進行。物業內所有可出租單位的市值租金乃參照可出租單位以及毗鄰相似物業的其他出租單位已取得的租金進行評估。採用之撥充資本比率乃參照當地相似物業的收益率結合估值師根據各物業的特質進行調整。

就按公允價值列賬之發展中投資物業而言，估值乃基於市場法假設該等投資物業將根據發展規劃及已取得的相關規劃的批覆完工。估值的主要輸入值包括已完工投資物業的市值，乃參考鄰近地域相似物業的銷售業績估計，同時，根據估值師判斷的不同地段的差異以及各物業的其他不同特質進行調整。該估值也將發展物業的開發成本納入考慮，包括建設成本、財務費用和專業費用及開發商的利潤率（於估值日反映物業開發的剩餘風險和開發商在物業開發完工時所期待的回報），該等因素取決於估值師對近期土地交易和不同區域類似已完工物業市場價值的分析。

估計物業的公允價值時，管理層已考慮物業的最高及最佳用途為目前用途

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

14. INVESTMENT PROPERTIES (Cont'd)

The major inputs used in the fair value measurement of the Group's major investment properties as at 31 December 2015 and 31 December 2014 are set out below:

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity
本集團於綜合財務狀況報表持有的投資物業	公允價值等級	估值技術及主要輸入數據	主要不可觀察輸入數據	不可觀察輸入數據與公允價值之關係	敏感度
Completed investment properties					
已落成物業					
Completed investment properties located in Shenzhen with an aggregate carrying amount of RMB10,842,632,000 (2014: RMB8,924,275,000)	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Daily market rent.	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of a range from 3.0% to 5.5% (2014: from 3.0% to 5.5%).	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
位於深圳市的已落成投資物業，合共賬面值為人民幣10,842,632,000元(二零一四年：人民幣8,924,275,000元)	第三級	收入資本計算法 主要輸入數據如下： (1) 資本化比率；及 (2) 市場日租。	經計入資本化租金收入潛力、物業性質及當前市場，資本化比率為介乎3.0%至5.5%(二零一四年：3.0%至5.5%)	資本化比率越高，公允價值越低。	所用資本化比率小幅提升將導致公允價值大幅降低，反之亦然。
			Daily market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average of a range from RMB0.7 to RMB20.2 (2014: from RMB1 to RMB20) per square metre ("sqm") per day on gross floor area basis.	The higher the daily market rent, the higher the fair value.	A significant increase in the daily market rent used would result in a significant increase in fair value, and vice versa.
			可供出租面積之市場日租經計入時間、位置及臨街地界及可資比較與物業之間的規模等各項因素，以建築面積為基準每日每平方米(「平方米」)平均介乎人民幣0.7元至人民幣20.2元(二零一四年：人民幣1元至人民幣20元)。	市場日租越高，公允價值越高。	所用市場日租大幅增加將導致公允價值大幅增加，反之亦然。

14. 投資物業(續)

於二零一五年十二月三十一日及二零一四年十二月三十一日，本集團投資物業公允價值計量所用之主要輸入數據載於下文：

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

14. INVESTMENT PROPERTIES (Cont'd)

14. 投資物業(續)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity
本集團於綜合財務狀況報表持有的投資物業	公允價值等級	估值技術及主要輸入數據	主要不可觀察輸入數據	不可觀察輸入數據與公允價值之關係	敏感度
Completed investment properties located in Suzhou with an aggregate carrying amount of RMB233,785,000 (2014: RMB241,391,000)	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Daily market rent.	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of a range from 1.5% to 6.5% (2014: from 1% to 6.5%).	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
位於蘇州之已落成投資物業，合共賬面值為人民幣233,785,000元(二零一四年：人民幣241,391,000元)	第三級	收入資本計算法 主要輸入數據如下： (1) 資本化比率；及 (2) 市場日租	經計入資本化租金收入潛力、物業性質及當前市場，資本化比率介乎1.5%至6.5%(二零一四年：1%至6.5%)	資本化比率越高，公允價值越低。	所用資本化比率小幅提升將導致公允價值大幅降低，反之亦然。
			Daily market rent, taking into account the time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average of a range from RMB1.1 to RMB8.3 (2014: RMB1.2 to RMB6.3) per sqm per day on gross floor area basis.	The higher the daily market rent, the higher the fair value.	A significant increase in the daily market rent used would result in a significant increase in fair value, and vice versa.
			可供出租面積之市場日租經計入時間、位置及臨街地界及可資比較與物業之間的規模等各項因素，以建築面積基準每日每平方米介乎人民幣1.1元至人民幣8.3元(二零一四年：人民幣1.2元至人民幣6.3元)。	市場日租越高，公允價值越高	所用市場日租大幅增加將導致公允價值大幅增加，反之亦然。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

14. INVESTMENT PROPERTIES (Cont'd)

14. 投資物業(續)

Investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity
本集團於綜合財務狀況報表持有的投資物業	公允價值等級	估值技術及主要輸入數據	主要不可觀察輸入數據	不可觀察輸入數據與公允價值之關係	敏感度
Investment properties under development that are measured at fair value					
按公允價值計值之發展中投資物業					
Investment properties under development located in Shenzhen with an aggregate carrying amount of RMB897,035,000 (2014: RMB2,218,750,000)	Level 3	Market-based Approach The key inputs are: (1) Gross development value; and (2) Developer's profit.	Gross development value on completion basis, taking into account the time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB938,773,000 (2014: RMB2,376,068,000).	The higher the gross development value, the higher the fair value.	A significant increase in gross development value used would result in a significant increase in fair value, and vice versa.
位於深圳市的發展中投資物業，合共賬面值為人民幣897,035,000元(二零一四年：人民幣2,218,750,000元)	第三級	市場基準法 主要輸入數據如下： (1) 總開發價值；及 (2) 開發商利潤率。	於落成後之總開發價值經計入可資比較物業與該物業之時間、位置及臨街地界、物業規模等各項因素為人民幣938,773,000元(二零一四年：人民幣2,376,068,000元)。	總開發價值越高，公允價值越高。	所用總開發價值大幅增加將導致公允價值大幅增加，反之亦然。
			Developer's profit, taking into account the comparable land transactions and progress of the property, of a 10% (2014:10%).	The higher the developer's profit, the lower the fair value.	A significant increase in developer's profit used would result in a significant decrease in fair value, and vice versa.
			經計入可資比較土地交易及物業進度，開發商利潤率為10%(二零一四年：10%)。	開發商利潤越高，公允價值越低。	發展商利潤大幅增加導致公允價值大幅減少，反之亦然。

There were no transfers in or out of Level 3 during both years.

於兩個年度內，第三級並無轉入或轉出。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

15. PROPERTY, PLANT AND EQUIPMENT

15. 物業、廠房及設備

		Leasehold land and buildings 租賃土地 及樓宇 RMB'000 人民幣千元	Leasehold improvements 租賃物業 裝修 RMB'000 人民幣千元	Motor vehicles 汽車 RMB'000 人民幣千元	Machinery and electronic equipment and others 機器及電子 設備及其他 RMB'000 人民幣千元	Computer software, furniture and fixtures 計算機軟件、 傢私及裝置 RMB'000 人民幣千元	Construction in progress 在建工程 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
COST	成本							
At 1 January 2014 (restated)	於二零一四年一月一日 (經重列)	440,158	40,655	7,584	31,059	17,652	-	537,108
Arising from the Acquisition (note 33)	產生自收購事項 (附註33)	6,312	238	520	76	171	-	7,317
Additions	添置	1,426	11,994	3,846	2,208	2,465	1,131	23,070
Transfer	轉讓	1,131	-	-	-	-	(1,131)	-
Disposals/written off	出售/撇銷	-	-	(665)	(18)	(1)	-	(684)
At 31 December 2014 (restated)	於二零一四年 十二月三十一日 (經重列)	449,027	52,887	11,285	33,325	20,287	-	566,811
Exchange adjustment	匯兌調整	-	46	3	35	11	-	95
Additions	添置	996	622	4,969	2,203	1,896	1,158	11,844
Disposals	出售	-	(287)	(192)	(630)	(681)	-	(1,790)
Derecognised on disposal of subsidiaries (note 35)	終止確認出售附屬公司 (附註35)	(13,578)	(25,558)	(788)	(9,976)	(3,772)	-	(53,672)
At 31 December 2015	於二零一五年 十二月三十一日	436,445	27,710	15,277	24,957	17,741	1,158	523,288
DEPRECIATION AND AMORTISATION	折舊及攤銷							
At 1 January 2014 (restated)	於二零一四年一月一日 (經重列)	78,339	10,326	2,615	15,937	7,518	-	114,735
Exchange adjustment	匯兌調整	(1)	(4)	(1)	(4)	-	-	(10)
Provided for the year	年度撥備	30,269	8,740	1,886	5,223	3,215	-	49,333
Eliminated on disposals/written off	出售/撇銷之對銷	-	-	(537)	(18)	(1)	-	(556)
At 31 December 2014 (restated)	於二零一四年 十二月三十一日 (經重列)	108,607	19,062	3,963	21,138	10,732	-	163,502
Exchange adjustment	匯兌調整	-	19	3	7	1	-	30
Provided for the year	年度撥備	31,125	11,635	2,715	4,411	2,840	-	52,726
Eliminated on disposals/written off	出售/撇銷之對銷	-	(287)	(192)	(461)	(678)	-	(1,618)
Eliminated on disposal of subsidiaries (note 35)	出售附屬公司之對銷 (附註35)	(3,253)	(11,740)	(623)	(7,704)	(1,454)	-	(24,774)
At 31 December 2015	於二零一五年 十二月三十一日	136,479	18,689	5,866	17,391	11,441	-	189,866
CARRYING VALUES	賬面值							
At 31 December 2015	於二零一五年 十二月三十一日	299,966	9,021	9,411	7,566	6,300	1,158	333,422
At 31 December 2014 (restated)	於二零一四年 十二月三十一日 (經重列)	340,420	33,825	7,322	12,187	9,555	-	403,309

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

15. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The carrying amounts of owner-occupied leasehold land and buildings at the end of the reporting period included both the leasehold land and building elements in property, plant and equipment, as in the opinion of the directors of the Company, allocations of the carrying amounts between the leasehold land and buildings elements cannot be made reliably.

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the lease, or 2% to 5%
Leasehold improvements	10% to 33 $\frac{1}{3}$ %
Motor vehicles	20% to 25%
Machinery and electronic equipment and others	10% to 33 $\frac{1}{3}$ %
Computer software, furniture and fixtures	20% to 33 $\frac{1}{3}$ %

16. GOODWILL

The amount represents goodwill arising from the Acquisition as disclosed in notes 2 and 33. Goodwill has been allocated to the group of cash generating units ("CGUs") comprising the Existing Group, that is expected to be benefit from the synergies of the Acquisition.

The recoverable amount of the goodwill has been determined based on a value in use calculation. That calculation used cash flow projections based on financial budgets approved by management covering five-year period, and the discount rate of 10% (2014: 10%). The cash flows beyond the five-year period are extrapolated using a zero growth rate. The directors of the Company determined that the recoverable amount was higher than the carrying amount of the CGU and hence no impairment on goodwill is required.

15. 物業、廠房及設備(續)

由於本公司董事認為無法準確作出土地與樓宇部分的分配，報告期末的業主自用租賃土地及樓宇計入物業、廠房及設備的租賃土地及樓宇中。

上文所述之物業、機器及設備項目(在建工程除外)乃以直線法按以下年率折舊：

租賃土地及樓宇	租賃期或2%至5%以較短者為準
租賃物業裝修	10%至33 $\frac{1}{3}$ %
汽車	20%至25%
機器、電子設備及其他	10%至33 $\frac{1}{3}$ %
計算機軟件、傢私及裝置	20%至33 $\frac{1}{3}$ %

16. 商譽

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
At 1 January	於一月一日	231,602	–
Arising from the Acquisition (note 33)	產生自收購事項(附註33)	–	231,602
At 31 December	於十二月三十一日	231,602	231,602

款項指附註2及附註33所披露之收購事項產生之商譽。商譽分配至預期從收購之協同效應中獲利之現有集團現金產生單位組別(「現金產生單位組別」)。

商譽之收回金額乃根據使用價值進行計算而釐定。基於管理層所批准涵蓋5年期間之財政預算，使用10% (二零一四年：10%)之貼現率以現金流預測法進行計算。超過5年的現金流則使用零增長率推算。本公司董事釐定可回收金額高於現金產生單位組別之賬面值，故無須商譽減值。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

17. INTERESTS IN JOINT VENTURES

17. 於合營公司的權益

			2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Cost of investment in joint ventures	於合營公司之投資成本		320	–
Share of net assets	應佔資產淨值	(a)	6,170	6,200
Amount due from a joint venture	應收一間合營公司款項	(b)	518,903	515,557
			525,393	521,757

Notes:

(a) Particulars of joint ventures as at 31 December 2015 and 2014 are as follows:

附註：

(a) 於二零一五年及二零一四年十二月三十一日合營公司的詳情如下：

Company name 公司名稱	Form of business nature 業務性質	Place of establishment and operation 註冊及營運地	Paid-up capital 繳足股本 RMB'000 人民幣千元	Proportion of voting right and percentage of interest held 投票權所持權益百分比	Principal activities 主要業務
Shenzhen Anyuan Industrial Development Co., Ltd. ("Anyuan") 深圳市安元實業發展有限公司 (「安元」)	Incorporated 註冊成立	The PRC 中國	23,800	40% (2014: 40%) (二零一四年：40%)	Property development 物業發展
Yiyang Zhonghe Property Management Co., Ltd. 益陽中核物業有限公司	Incorporated 註冊成立	The PRC 中國	500	40% (2014: 40%) (二零一四年：40%)	Property development 物業發展

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

17. INTERESTS IN JOINT VENTURES (Cont'd)

Notes: (Cont'd)

- (b) Amount due from a joint venture represents advances to a joint venture which is unsecured, interest-free and has no fixed repayment terms. In an opinion of the directors of the Company, the advances is in substance capital in nature.
- (c) Yiyang Zhonghe Property Management Co., Ltd. is not considered material as compared to the Group's operating results during the year. Summarised financial information of Anyuan adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Non-current assets	非流動資產	31	34
Current assets	流動資產	547,116	543,498
Current liabilities	流動負債	(531,721)	(528,032)
Included in the above amounts are:	計入上述款項：		
Cash and cash equivalents	現金及現金等價物	90,669	90,225
Revenue	收益	-	-
Loss and total comprehensive expense for the year	年度虧損及其他全面開支	74	100

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

17. 於合營公司的權益(續)

附註:(續)

- (b) 應收一間合營公司款項為支付合營公司的預付款，該款項無抵押、免息，且無固定償還期限。本公司董事認為，該預付款性質上屬重大資本。
- (c) 益陽中核物業有限公司被認為相對本集團年內的營運業績並不重大。下文披露安元的財務資料概要，已就會計政策的任何差異而調整，以及與綜合財務報表賬面值所對銷：

以上於合營公司的權益賬面值財務資料概要之對賬於綜合財務報表中確認：

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Net assets of Anyuan	安元資產淨值	15,426	15,500
Proportion of the Group's ownership interest in Anyuan	本集團於安元擁有之權益比例	40%	40%
Carrying amount of the Group's interest in Anyuan	本集團於安元之權益賬面值	6,170	6,200

18. AVAILABLE-FOR-SALE INVESTMENTS

The investments represents 0.45% shareholding in of an unlisted equity securities issued by a private entity incorporated in the PRC where the Group does not have control, joint control or significant influence regarding the relevant activities of the investments. They are measured at cost less impairment at the end of the reporting period because the directors of the Company believe that the range of reasonable fair value estimates is so wide that the fair values cannot be measured reliably.

18. 可供出售投資

該等投資佔於中國註冊成立之私人實體所發行非上市股權證券之0.45%股權，本集團並無就該等投資相關業務控制、聯合控制股權或對股權產生重大影響。於報告期末，該等投資按成本減去減值釐定，由於本公司董事認為合理公平價值估計範圍太大，故其公允值不能可靠計量。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

19. DEFERRED TAX

The movement in deferred tax assets (liabilities) arising from temporary differences are as follows:

19. 遞延稅項

暫時差額產生的遞延稅項資產(負債)的變動如下:

		Tax losses	Withholding tax for undistributed profits	Valuation on investment properties	Accelerated tax depreciation	Others	Total
		稅務虧損	未分配利潤的預扣稅	投資物業估值	加速稅項折舊	其他	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Balance as at 1 January 2014 (restated)	於二零一四年一月一日之結餘(經重列)	97,315	-	(1,806,721)	(57,525)	22,877	(1,744,054)
Arising from the Acquisition (note 33)	產生自收購事項(附註33)	-	(3,889)	(36,287)	-	(19,403)	(59,579)
Credited (charged) to the profit or loss (note 10)	於損益賬計入(扣除)(附註10)	2,014	(71,124)	(221,024)	(25,561)	72,561	(243,134)
Credited to other comprehensive income	計入其他全面收益	-	-	-	-	50	50
Balance as at 31 December 2014 (restated)	於二零一四年十二月三十一日之結餘(經重列)	99,329	(75,013)	(2,064,032)	(83,086)	76,085	(2,046,717)
Credited to the profit or loss upon payment of withholding tax (note 10)	支付預扣稅後計入損益賬(附註10)	-	37,926	-	-	-	37,926
Overprovision in prior year (note 10)	過往年度超額撥備(附註10)	-	28,680	-	-	-	28,680
(Charged) credited to the profit or loss (note 10)	於損益賬(扣除)計入(附註10)	(20,926)	(1,707)	(70,808)	(23,583)	18,769	(98,255)
Disposal of subsidiaries (note 35)	出售附屬公司(附註35)	-	-	-	13,014	(2,587)	10,427
Balance as at 31 December 2015	於二零一五年十二月三十一日之結餘	78,403	(10,114)	(2,134,840)	(93,655)	92,267	(2,067,939)

The following is the analysis of the deferred taxation balances for financial reporting purposes:

就財務報告目的而言，遞延稅項結餘分析如下：

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Deferred tax assets	遞延稅項資產	199,785	222,360
Deferred tax liabilities	遞延稅項負債	(2,267,724)	(2,269,077)
		(2,067,939)	(2,046,717)

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

19. DEFERRED TAX (Cont'd)

The PRC EIT Law and its implementation rules impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividends distributed by PRC-resident enterprises to their non-PRC-resident corporate investors for profits earned since 1 January 2008. Under the Sino-Hong Kong Double Tax Arrangement, a qualified Hong Kong tax resident is entitled to a reduced withholding tax rate of 5% if the Hong Kong tax resident is the “beneficial owner” and holds 25% or more of the equity interest of the PRC enterprise directly. Since the Group controls the quantum and timing of distribution of profits of the Group’s subsidiaries in the PRC, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

At 31 December 2015, temporary differences relating to the undistributed profits of the Group’s PRC subsidiaries amounted to RMB681,595,000 (2014: RMB663,794,000) in respect of which deferred tax liabilities were not recognised. At 31 December 2014, deferred tax liabilities of RMB75,013,000 were recognised, representing estimated amounts of the dividend to be declared in foreseeable future. Except for the undistributed profit of the Group’s PRC subsidiaries amounted to RMB17,070,000, no deferred tax liability was recognised in respect of the taxable temporary differences as of 31 December 2015 as the Group controlled the dividend policy of these subsidiaries and had no plan to dispose of these subsidiaries in the then foreseeable future.

At the end of the reporting period, the Group has unused tax losses of RMB417,996,000 (2014: RMB502,954,000) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to RMB313,612,000 (2014: RMB397,316,000). No deferred tax asset has been recognised in respect of the remaining tax losses of RMB104,384,000 (2014: RMB105,638,000) due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years ending 31 December:

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
2015	二零一五年	-	872
2016	二零一六年	5,539	8,364
2017	二零一七年	5,956	5,956
2018	二零一八年	23,042	23,042
2019	二零一九年	67,404	67,404
2020	二零二零年	2,443	-
		104,384	105,638

19. 遞延稅項(續)

中國企業所得稅法及其實施規則規定，自二零零八年一月一日起，中國居民企業就所賺取盈利向非中國居民企業投資者分派的股息須按10%繳納預扣稅（除非根據稅項條約或安排獲減免）。根據內地與香港避免雙重徵稅安排，作為「實益擁有人」並直接持有中國企業25%或以上股權的合資格香港稅務居民有權按減免預扣稅稅率5%繳稅。由於本集團可控制分派本集團於中國的附屬公司的盈利的數量及時間，遞延稅項負債僅以預期可於可見將來分派的有關盈利為限計提撥備。

於二零一五年十二月三十一日，有關本集團中國附屬公司之未分配利潤暫時差額達人民幣681,595,000元（二零一四年：人民幣663,794,000元），並未就該等金額確認遞延稅項負債。於二零一四年十二月三十一日，遞延稅項負債人民幣75,013,000元以將於可預見未來宣派的預計股息金額進行確認。除本集團中國附屬公司之未分配利潤達人民幣17,070,000元外，因目標集團控制該等附屬公司的股息政策，且並無計劃於當時的可預見未來出售該等附屬公司，故並未就截至二零一五年十二月三十一日止年度的應課稅暫時性差額確認遞延稅項負債。

於報告期末，本集團可供抵銷未來盈利之未動用稅項虧損為人民幣417,996,000元（二零一四年：人民幣502,954,000元）。遞延稅項資產就該等稅項虧損確認為人民幣313,612,000元（二零一四年：人民幣397,316,000元）。由於未來盈利來源不可預測，故並無就其餘未動用稅項虧損人民幣104,384,000元（二零一四年：人民幣105,638,000元）確認遞延稅項資產。未確認之稅項虧損於以下年度截至十二月三十一日止屆滿：

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

20. PROPERTIES UNDER DEVELOPMENT FOR SALE

Included in the properties under development for sale as at 31 December 2015 is carrying value of RMB2,109,719,000 (2014: RMB4,557,695,000) which represents the carrying value of the properties expected to be realised after twelve months from the end of the reporting period.

21. PROPERTIES HELD FOR SALE

The Group's properties held for sale are situated in the PRC.

22. OTHER INVENTORIES

Other inventories represent low value consumables carried at cost.

23. ACCOUNTS RECEIVABLE

20. 發展中待售物業

於二零一五年十二月三十一日，列為發展中待售物業之賬面值為人民幣2,109,719,000元(二零一四年：人民幣4,557,695,000元)，乃預期於各報告期末後十二個月方告落成物業之賬面值。

21. 待售物業

本集團持作待售物業位於中國。

22. 其他存貨

其他存貨指按成本值入賬的低值易耗品。

23. 應收賬款

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Accounts receivable	應收賬款	103,042	39,493
Less: Allowance for doubtful debts	減：壞賬撥備	(832)	(773)
		102,210	38,720

Accounts receivable represent receivables arising from sales of properties which are due for settlement in accordance with the terms of the relevant sales and purchase agreements, and rental income from leasing properties. Monthly rents are normally received in advance and sufficient rental deposits are held to minimise credit risk. Accounts receivable generally have credit terms of 30 to 60 days (2014: 30 to 60 days) and no interest is charged. All accounts receivable are denominated in RMB. The ageing analysis of the Group's accounts receivable, based on invoice dates for leasing income and the terms of relevant sales and purchases agreements for sales of properties, is as follows:

應收賬款指銷售物業根據相關買賣協議條款到期應付的應收賬款，以及租賃物業的租金收入。每月租金通常預先收取，並持有充足的租金按金以減低信貸風險。應收賬款的信貸期一般為30至60天(二零一四年：30至60天)且不計息。所有應收賬款以人民幣計值。本集團應收賬款的賬齡按有關租賃收入發票日期以及物業銷售買賣協議相關條款分析如下：

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Within 1 month	一個月內	93,883	3,065
1 to 12 months	1至12個月	2,212	5,630
12 to 24 months	12至24個月	4,546	1,533
Over 24 months	超過24個月	1,569	28,492
		102,210	38,720

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

23. ACCOUNTS RECEIVABLE (Cont'd)

Included in the Group's accounts receivable balances are debtors with aggregate carrying amount of RMB8,327,000 (2014: RMB35,655,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss, of which 27% (2014: 16%) are past due within twelve months, and 73% (2014: 84%) are past due over twelve months, based on the repayment terms set out in the sales and purchases agreements. No provision for impairment is considered necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
A 1 January	於一月一日	773	466
Impairment loss recognised	已確認減值虧損	59	307
At 31 December	於十二月三十一日	832	773

As at 31 December 2015 and 2014, all remaining accounts receivable were neither past due nor impaired. These related to a number of customers for whom there was no recent history of default.

24. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Deposits paid and prepayments	已付按金及預付款項	309,119	226,324
Other receivables	其他應收款項	740,931	348,401
Amounts due from related parties	應收關連方款項	888,544	228,415
Amounts due from non-controlling interests	應收非控股權益款項	2,875	2,875
		1,941,469	806,015

Amounts due from non-controlling interests and related parties, in which the ultimate controlling party has beneficial interests, are unsecured, interest-free and repayable on demand.

23. 應收賬款(續)

計入本集團應收賬款結餘之款項為賬面值為人民幣8,327,000元(二零一四年: 人民幣35,655,000元之應收款項), 已於報告期末逾期, 而本集團並無就此作出減值虧損撥備, 根據買賣協議載列之還款期限, 其中27%(二零一四年: 16%)於十二個月內逾期, 73%(二零一四年: 84%)於十二個月後逾期。由於有關信貸質素並無重大變動且有關結餘被認為仍可悉數收回, 故並無必要就該等結餘作出減值撥備。

年內的呆壞賬撥備變動(包括特定及整體虧損組成部分)如下:

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
A 1 January	於一月一日	773	466
Impairment loss recognised	已確認減值虧損	59	307
At 31 December	於十二月三十一日	832	773

於二零一五年及二零一四年十二月三十一日, 全部應收賬款並未逾期及減值。款項乃與近期並無違約記錄的多名客戶有關。

24. 已付按金、預付款項及其他應收款項

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Deposits paid and prepayments	已付按金及預付款項	309,119	226,324
Other receivables	其他應收款項	740,931	348,401
Amounts due from related parties	應收關連方款項	888,544	228,415
Amounts due from non-controlling interests	應收非控股權益款項	2,875	2,875
		1,941,469	806,015

應收非控股權益及關連方款項(最終控股方於其中擁有實益權益)為無抵押、免息及按要求償還。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

25. OTHER CURRENT ASSETS

Amount represented investments in wealth management products issued by financial institutions, which are either redeemable on demand or with maturities within twelve months. The fair value of these wealth management products approximated their carrying amount as of 31 December 2015 and 2014 respectively, no amount is considered to be impaired.

26. RESTRICTED BANK DEPOSITS

Amount mainly includes pledged deposits for letters of credit issued by the immediate holding company of the Company (see note 45e), and performance deposits from contractors for construction contracts and bank loans of the Group. During the year, bank deposits amounted to RMB256,310,000 of the Group was pledged for a bank borrowing utilised by an independent third party.

The effective interest rate of restricted bank deposits is in the range of 0.35% to 5.23% (2014: 0.35% to 5.23%) per annum.

27. BANK BALANCES AND CASH

As at 31 December 2015, there is no fixed deposit with original maturity period of more than three months but within one year.

The effective interest rate of cash at banks is in the range of 0.01% to 1.35% (2014: 0.01% to 3.83%) per annum.

28. ACCOUNTS PAYABLE

Accounts payable mainly represent amounts due to contractors. Payment to contractors is made by reference of progress of the respective construction work and agreed milestones.

The following is an aged analysis of accounts payable presented based on the invoice date:

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Within 1 month	一個月內	955,153	1,144,663
1 to 12 months	1至12個月	91,321	336,282
12 to 24 months	12至24個月	37,191	24,738
Over 24 months	24個月以上	18,631	26,351
		1,102,296	1,532,034

25. 其他流動資產

其他流動資產指金融機構理財產品的投資，可應要求予以贖回或於十二個月內到期。截至二零一五年及二零一四年十二月三十一日，該等理財產品的公允價值與其賬面值相若。概無金額被視為減值。

26. 受限制銀行存款

該筆款項主要包括本公司的直接控股公司發出的信用證已質押存款(參見附註45e)、承包商建築合約的履約按金及本集團的銀行貸款。年內，本集團銀行存款人民幣256,310,000元抵押為獨立第三方利用的銀行借款。

受限制存款實際年利率介乎0.35%至5.23% (二零一四年：0.35%至5.23%)。

27. 銀行結餘及現金

於二零一五年十二月三十一日，概無原到期日為多於三個月但少於一年的定期存款。

銀行結存的實際年利率為0.01%至1.35% (二零一四年：0.01%至3.83%)。

28. 應付賬款

貿易應付款項主要指應付承包商款項。應付承包商款項參考有關建設工程進度及協定進度作出。

本集團應付賬款的賬齡按發票日分析如下：

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

29. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

29. 應計費用、已收按金及其他應付款項

		2015	2014
		二零一五年	二零一四年
		RMB'000	RMB'000
		人民幣千元	人民幣千元 (restated) (經重列)
Receipts in advance	預收款項	3,627,073	696,888
Other payables and accruals	其他應付款項及應計費用	312,733	406,630
Amount due to the ultimate controlling party	應付最終控股股東款項	-	100,411
Amounts due to related parties	應付關聯方款項	50	5,752
Amounts due to non-controlling interest	應付非控股權益款項	4,493	4,241
		3,944,349	1,213,922

Receipts in advance primarily consisted of sales proceeds received from customers.

預收款項主要包括向客戶收取之銷售所得款項。

Included in other payables and accruals at 31 December 2015 are deposits and retention money payable of RMB115,534,000 (2014: RMB118,115,000), which are expected to be settled after more than one year.

於二零一五年十二月三十一日，其他應付款項及應計費用包括存款及應付保留金人民幣115,534,000元（二零一四年：人民幣118,115,000元），預期將於超過一年後付清。

Amounts due to non-controlling interests, the ultimate controlling party and related parties, in which the ultimate controlling party has controlling beneficial interests, are unsecured, interest-free and repayable on demand.

應付非控股權益、最終控股方及關聯方款項（最終控股方於其中擁有控制性實益權益）為無抵押、免息及須按要求償還。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

30. BORROWINGS

30. 借貸

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Borrowings comprise:	借貸包括：		
– Variable rate bank loans	– 浮息銀行貸款	6,540,535	4,612,474
– Fixed rate bank loans	– 固定利率貸款	944,865	1,742,500
– Other borrowings	– 其他借貸	680,000	1,680,000
– Loans from non-controlling interests	– 非控股權益貸款	83,536	59,859
		8,248,936	8,094,833
Less: Front-end fee	減：前期費用	(15,055)	–
		8,233,881	8,094,833
Analysed as:	分析：		
– Secured	– 有抵押	8,150,345	8,010,932
– Unsecured	– 無抵押	83,536	83,901
		8,233,881	8,094,833
Borrowings repayable within a period of:	借貸須於以下期間內償還：		
– Not more than 1 year or on demand	– 一年內或按要求	1,676,275	1,769,737
– More than 1 year, but not exceeding 2 years	– 超過一年但少於兩年	2,786,866	2,714,865
– More than 2 years, but not exceeding 5 years	– 超過兩年但少於五年	1,794,137	2,343,110
– More than 5 years	– 五年以後	1,991,658	1,267,121
Total borrowings	借款總計	8,248,936	8,094,833
Less: Amount due within one year shown under current liabilities	減：流動負債項下於一年內到期之款項	(1,676,275)	(1,769,737)
Less: Front-end fee	減：前期費用	(15,055)	–
Amount due after one year	於一年後到期之款項	6,557,606	6,325,096

All the Group's borrowings are denominated in the functional currencies of the relevant group companies (i.e. RMB and HKD) except loans from non-controlling interests of subsidiaries amounting to RMB63,409,000 (2014: RMB59,859,000), which are denominated in USD.

Certain related parties have provided unlimited joint guarantees to the Group in respect of certain bank loans and other borrowings with total amount of RMB6,862,032,000 during year ended 31 December 2014 (see note 44d). The guarantees have been released during current year. Moreover, an independent third party provided joint guarantees amounted to RMB140,000,000 (2014: RMB180,000,000) and secured bank loans with an amount of RMB1,694,000,000 (2014: RMB410,000,000) were secured by certain properties owned by an independent third party. In addition, a secured bank loan with an amount of RMB500,000,000 (2014: RMB500,000,000) was jointly secured by certain properties owned by Ms. He Yaxing, the spouse of the ultimate controlling party.

所有本集團借貸，採用與本集團有關連的貨幣(如人民幣與港元)計值，一間附屬公司的非控股權益貸款人民幣63,409,000元(二零一四年：人民幣59,859,000元)以美元計值除外。

截至二零一四年十二月三十一日止年度，若干關連方已就若干銀行貸款及其他借貸合共人民幣6,862,032,000元(見附註44d)向本集團提供無限連帶擔保。擔保已於本年度解除。然而，獨立第三方提供的連帶擔保達人民幣140,000,000元(二零一四年：人民幣180,000,000元)及有擔保銀行貸款人民幣1,694,000,000元(二零一四年：人民幣410,000,000元)由獨立第三方擁有之若干物業作出擔保。此外，人民幣500,000,000元(二零一四年：人民幣500,000,000元)的有抵押銀行貸款由最終控股方之配偶何亞興女士擁有的若干物業作共同抵押。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

30. BORROWINGS (Cont'd)

Certain secured bank loans with aggregate amount of RMB1,234,000,000 (2014: nil) was jointly secured by properties owned by related parties controlled by Mr. Wong.

For bank loans denominated in HKD, the effective interest rates ranging from 2.0% to 2.2% (2014: 2.8% to 2.9%) per annum. For bank and other loans denominated in RMB, the effective interest rate was ranging from 5.4% to 9.0% (2014: 6.2% to 9.5%) per annum.

Loans from non-controlling interests are unsecured and interest-free. The loans were initially recognised at fair value and subsequently stated at amortised cost which was estimated by discounting the nominal value of the loans at effective interest rate of 2.1% to 4.6% per annum.

30. 借貸(續)

若干有抵押銀行貸款總金人民幣1,234,000,000元(二零一四年：無)由黃先生控制之相關方擁有物業共同抵押。

就以港元計值的銀行貸款而言，實際年利率介乎2.0%至2.2%(二零一四年：2.8%至2.9%)。就以人民幣計值的銀行及其他貸款而言，實際年利率介乎5.4%至9.0%(二零一四年：6.2%至9.5%)。

非控股權益之貸款無擔保及免息。有關貸款按公允價值初步確認，其後按攤銷成本列賬，有關攤銷成本乃按介乎2.1%至4.6%之實際年利率貼現貸款面值進行估計。

31. SHARE CAPITAL

31. 股本

		2015 二零一五年			2014 二零一四年		
		Number of shares 股份數目	HK\$'000 千港元	RMB'000 人民幣千元	Number of shares 股份數目	HK\$'000 千港元	RMB'000 人民幣千元 (restated) (經重列)
Authorised share capital of the Company:	本公司法定股本：						
Ordinary shares of HK\$0.01 each	每股面值0.01港元的普通股	30,000,000,000	300,000	240,000	30,000,000,000	300,000	240,000
Issued and fully paid share capital of the Company:	本公司已發行及繳足股本：						
Ordinary shares of HK\$0.01 each At 1 January (Note)	每股面值0.01港元的普通股於一月一日(附註)	3,893,582,792	38,935	32,336	3,833,949,157	38,339	31,963
Arising from issue of ordinary shares on exercise of share options	因行使購股權時發行普通股而產生	-	-	-	23,270,000	233	185
Arising from issue of ordinary shares on conversion of convertible notes	因兌換可換股票據發行普通股而產生	-	-	-	36,363,635	363	288
Arising from placing shares in 2015 ("Placing Shares")	因於二零一五年配售股份而產生(「配售股份」)	800,000,000	8,000	6,779	-	-	-
At 31 December	於十二月三十一日	4,693,582,792	46,935	39,115	3,893,582,792	38,935	32,336

Note: The number of ordinary shares as at 31 December 2015, 31 December 2014 and 1 January 2014 are determined based on sum of the number of ordinary shares of the Company in issue at the respective date, and 2,509,342,511 ordinary shares of the Company issued on 30 November 2015 as consideration for the Transaction. The net proceeds (net of transaction costs, mainly underwriting commission) of Placing Shares are HK\$1,749,800,000 (equivalent to approximately RMB1,483,336,000) of which HK\$1,584,000,000 (equivalent to approximately RMB1,342,373,000) was utilised to settle the remaining consideration of the Transaction.

附註：截至二零一五年十二月三十一日、二零一四年十二月三十一日及二零一四年一月一日之普通股數目乃根據於各發行日期本公司普通股總數釐定，並於二零一五年十一月三十日發行本公司2,509,342,511股普通股作為交易代價。配售股份之所得淨額(扣除交易成本、主要是包銷佣金)為1,749,800,000港元(相當約人民幣1,483,336,000元)，當中1,584,000,000港元(相當約人民幣1,342,373,000元)用作結算該交易之餘下代價。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

32. RESERVES

32. 儲備

			2015	2014
		Notes	二零一五年	二零一四年
		附註	RMB'000	RMB'000
			人民幣千元	人民幣千元 (restated) (經重列)
Share premium	股份溢價	(i)	6,299,142	4,822,585
Convertible preference shares	可換股優先股	(ii)	5,959,114	5,959,114
Other reserve	其他儲備	(iii)	(11,262,576)	(9,768,021)
Exchange reserve	匯兌儲備	(iv)	63,717	15,924
Statutory reserve	法定儲備	(v)	66,373	58,479
Retained profits	保留盈利		6,716,192	6,889,001
			7,841,962	7,977,082

Notes:

The movements of the Group's reserves for the year are presented in the consolidated statement of changes in equity of the financial statements. The nature and purpose of the reserves are as follows:

- (i) Under the Companies Law (2011 Revision) of the Cayman Islands, the share premium account is distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be paid, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.
- (ii) On 30 November 2015, the Company issued convertible preference shares ("CPS") at issue price of HK\$2.06 per share, of which 3,413,473,023 CPS were issued to Mr. Wong for aggregate consideration of HK\$7,031,754,000 (equivalent of approximately RMB5,959,114,000) as consideration for the transaction.

Key terms of the CPS

- Holders of the CPS will be entitled to receive notices of and to attend the general meetings of the Company but are not permitted to vote unless a resolution is proposed to vary the rights of holders of the CPS or a resolution is proposed for the winding up of the Company.
- Holders of the CPS have the right to convert each CPS at any time into one ordinary share of the Company without the payment of any additional consideration. The holders may not exercise the conversion right if upon the conversion, the percentage of ordinary shares held by the public will fall below the minimum public float requirement under Rule 8.08 of the Listing Rules. The shares that are issued upon the exercise of the conversion right of the CPS are not subject to any restriction.
- The CPS cannot be redeemed by the Company.

附註：

本集團儲備於年內的變動，於財務報表的綜合權益變動表中呈列。儲備的性質及目的如下：

- (i) 根據開曼群島公司法(二零一一年修訂版)，股份溢價賬可分派予本公司股東，惟緊隨派付股息日期後，本公司須有能力償還於日常業務過程中到期的債務。
- (ii) 於二零一五年十一月三十日，本公司按每股發行價2.06港元發行可換股優先股(「可換股優先股」)，其中3,413,473,023股可換股優先股發行予黃先生，總代價7,031,754,000港元(相當於約人民幣5,959,114,000元)，作為交易代價。

可換股優先股之主要條款

- 可換股優先股持有人將有權接獲通知並出席本公司股東大會，但不獲准投票，除非提呈修訂可換股優先股持有人之權利之決議案或提呈本公司清盤之決議案除外。
- 可換股優先股持有人有權於轉換股份(無支付額外代價)發行後隨時將每股可換股優先股轉換為本公司普通股。倘行使兌換權導致公眾持有股份之百分比低於上市規則第8.08條之最低公眾持股量規定，則持有人不得行使兌換權。於可換股優先股份之兌換權獲行使時發行之股份，於發行轉換股份後毋須受任何限制。
- 可換股優先股不能由本公司贖回。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

32. RESERVES (Cont'd)

Notes: (Con'd)

(ii) (Con'd)

Key terms of the CPS (Con'd)

- Holders of CPS will have priority over the holders of ordinary shares of the Company on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding-up or dissolution of the Company.
- Subject to compliance with all applicable laws and the article of association of the Company, each CPS shall confer on its holder the right to receive a preferred distribution from the date of the issue of the CPS at a rate of 0.2% per annum, payable annually in arrear. Such preferred distribution is non-cumulative. The Board of the Company may, in its sole discretion, elect to defer or not to pay a preferred distribution. No interest accrues on any unpaid preferred distribution. If the Board of the Company elects to defer or not to pay a preferred distribution, the Company cannot pay any dividends, distributions or make any other payment to any ordinary shares of the Company.

The CPS are classified as equity instruments in the Group's consolidated financial statements as the Group does not have a contractual obligation to deliver cash or other financial assets arising from the issue of the CPS.

Up to the date of the authorisation of the Group's consolidated financial statements for the year ended 31 December 2015, no CPS has been converted into ordinary shares of the Company.

32. 儲備(續)

附註:(續)

(ii) (續)

可換股優先股之主要條款(續)

- 本公司因清算、清盤或解散而分派資產時，可換股優先股持有人較本公司普通股股東優先享有本公司可供分派之資產及資金。
- 待符合所有適用法律及細則後，每股可換股優先股將賦予其持有人權利，自發行可換股優先股日期按每年按發行價0.2%之利率收取優先分派，並於每年年末支付。有關優先分派不可累積。本公司董事會可全權酌情選擇遞延或不支付優先分派。任何未支付優先分派並不計息。倘本公司董事會選擇遞延或不支付優先分派，則本公司或不會就任何股份向本公司任何普通股派付任何股息、分派或作出任何其他派付。

由於本集團並無交付發行可換股永久資本證券產生的現金或其他金融資產的合約責任，故可換股優先股被計入本集團簡明綜合財務報表的股權工具項下。

截至授權刊發本集團截至二零一五年十二月三十一日止年度之綜合財務報表日期，可換股優先股並未轉換為本公司普通股。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

32. RESERVES (Cont'd)

Notes: (Con'd)

(iii) Other reserve comprise:

	Credit (debit) to other reserve	其他儲備抵免(支出)	31.12.2015 二零一五年 十二月三十一日 RMB'000 人民幣千元	31.12.2014 二零一四年 十二月三十一日 RMB'000 人民幣千元 (restated) (經重列)	1.1.2014 二零一四年 一月一日 RMB'000 人民幣千元 (restated) (經重列)
(1)	2,509,342,511 ordinary shares of the Company for the Transaction at HK\$2.06 (RMB1.65) per share deemed to be issued at the beginning of the earliest period presented	本公司就交易視作於最早呈報期初已發行的2,509,342,511股每股2.06港元(人民幣1.65元)的普通股	(4,380,717)	(4,380,717)	(4,380,717)
(2)	3,413,473,023 convertible preference shares (CPS) of the Company for the Transaction at HK\$2.06 (RMB1.65) per CPS deemed to be issued at the beginning of the earliest period presented	本公司就交易視作於最早呈報期初已發行的3,413,473,023股每股2.06港元(人民幣1.65元)的可換股優先股	(5,959,114)	(5,959,114)	(5,959,114)
(3)	Difference between the share capital and share premium of the Company and Target Group	本公司及目標集團股本及股份溢價差額	(433,106)	(433,106)	(433,106)
(4)	Deemed contribution on acquisition of a joint venture from Mr. Wong	視作自黃先生收購一間合營公司的注資	-	9,200	9,200
(5)	Transfer to share premium upon exercise of share options and conversion of convertible notes	於行使購股權及轉換可換股票據後轉撥	(2,105)	(2,105)	-
(6)	Transfer to share premium upon cancellation of vested share options	於註銷已歸屬購股權後轉撥至股份溢價	(34)	(34)	-
(7)	Effect of the Acquisition (as defined in notes 2 and 33)	收購事項之影響(定義見附註2及33)	806,292	806,292	-
(8)	Transfer upon the Acquisition (as defined in notes 2 and 33)	收購後轉撥(定義見附註2及33)	191,563	191,563	-
(9)	Effect of the Disposals (as defined in notes 2 and 35)	出售事項之影響(定義見附註2及35)	(142,982)	-	-
(10)	Deemed distribution to Mr. Wong in relation to the consideration paid to Mr. Wong for the Transaction (as defined in note 2)	就有關交易向黃先生支付的代價視作分派予黃先生(定義見附註2)	(1,342,373)	-	-
			(11,262,576)	(9,768,021)	(10,763,737)

(iv) The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4.

(v) As stipulated by the relevant laws and regulations in the PRC, certain subsidiaries of the Company in the PRC are required to maintain a statutory reserve which is non-distributable other than upon the liquidation of the entity. Transfer to this reserve is made out of profit after tax of the subsidiaries' PRC statutory financial statements which are prepared in accordance with the accounting principles generally accepted in the PRC.

32. 儲備(續)

附註:(續)

(iii) 其他儲備包括:

(iv) 匯兌儲備包括換算海外業務的財務報表所產生的所有外匯差額。該儲備乃根據載列於附註4的會計政策處理。

(v) 根據相關中國法律及法規規定,本公司若干附屬公司須維持不可分派的法定儲備,惟該公司清盤則除外。此法定儲備乃由附屬公司按照中國普遍採納會計原則編製的中國法定財務報表中的除稅後盈利轉撥。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

33. ACQUISITION OF THE EXISTING GROUP

As disclosed in note 2, the Existing Group is deemed to have been acquired by the Target Group at the Completion Date (as defined in note 1). The total consideration of the Acquisition of HK\$1,007,864,525 (approximately RMB806,292,000) was paid in cash by China LVGEM to acquire approximately 75% of the aggregate issued share capital of the Company (the "Deemed Consideration"). The fair value of the identifiable assets and liabilities of the Existing Group at the Completion Date are as follows:

		RMB'000 人民幣千元
Property, plant and equipment	物業、廠房及設備	7,317
Investment properties	投資物業	249,140
Deferred tax assets	遞延稅項資產	135
Properties under development for sale	發展中待售物業	369,987
Properties held for sale	待售物業	309,308
Other inventories	其他存貨	22
Accounts receivable	應收賬款	73
Deposits paid, prepayments and other receivables	已付按金、預付款項及其他應收款項	39,249
Other current assets	其他流動資產	998
Tax recoverable	可回收稅項	18,974
Restricted bank deposits	受限制銀行存款	25,999
Bank balances and cash	銀行結餘及現金	379,530
Accounts payable	應付賬款	(50,629)
Accruals, deposits received and other payables	應計費用、已收按金及其他應付款項	(362,348)
Borrowings	借款	(86,520)
Convertible notes	可換股票據	(34,523)
Deferred tax liabilities	遞延稅項負債	(59,714)
Net assets acquired	已收購資產淨值	806,998

Goodwill is determined as the excess of the Deemed Consideration of the Acquisition and the amount of non-controlling interests of the subsidiaries of the Existing Group and 25% deemed non-controlling interests in the Existing Group over the fair values of the identifiable assets and liabilities acquired of the Existing Group as at the Completion Date, as follows:

Deemed Consideration	視作代價	806,292
Plus: non-controlling interests of the subsidiaries of the Existing Group (Note)	加：現時集團附屬公司之非控股權益(附註)	40,745
Plus: 25% interests in the Existing Group (Note)	加：現時集團之非控股權益25%(附註)	191,563
Less: Recognised net assets of the acquirees	減：被收購方已確認資產淨值	(806,998)
Goodwill	商譽	231,602
Net cash inflow arising on the Acquisition:	收購現金流入淨額：	
Bank balances and cash	銀行結餘及現金	379,530

Note: The non-controlling interests at the Completion Date were measured at their present ownership interests' proportionate share in the recognised amounts of the acquirees' identifiable assets at the Completion Date.

如附註2所述，現時集團被視為於完成日由目標集團收購(定義見附註1)。中國綠景以現金支付收購事項之總代價為1,007,864,525港元(約人民幣806,292,000元)，以收購本公司已發行股本總額約75%([視作代價])。現時集團於完成日可識別資產及負債公允價值如下：

商譽乃按視作收購代價及現時集團附屬公司及現時集團非控股權益超出現時集團所收購可識別資產及25%視作非控股權益於完成日期之公允價值之數額，載列如下：

附註：於完成日的非控股股東權益乃按其於被收購方可辨認資產於完成日已確認金額的現有比例份額計量。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

33. ACQUISITION OF THE EXISTING GROUP (Cont'd)

This Acquisition has been accounted for using the purchase method in accordance with HKFRS 3 *Business Combination*. Acquisition and related transaction costs have been excluded from the Deemed Consideration transferred and have been recognised as an expense directly. Goodwill arose in the Acquisition representing (a) the cost of the combination included a control premium and (b) benefits expected to generate from future market development and fund raising platform for the properties development business. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

34. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

On 30 April 2015, Xingfu (China) Limited, an indirect wholly-owned subsidiary of the Company, and Crown Profit (HK) Industrial Limited, an independent third party of the Group, entered into a sale and purchase agreement, pursuant to which Xingfu (China) Limited conditionally agreed to purchase, and Crown Profit (HK) Industrial Limited conditionally agreed to sell and transfer, 10,000 shares in the issued share capital of HongKong Jiatian International Trading Development Limited, which represents its entire issued share capital, and its non-wholly owned subsidiary (collectively referred to as the "HongKong Jiatian Group"), for a total consideration of RMB145,200,000. HongKong Jiatian Group was engaged in property investment in the PRC through its non-wholly owned subsidiary of which the main assets are just investment properties and thus regarded as acquisition of assets and liabilities. The acquisition was completed on 4 May 2015.

Assets and liabilities recognised at the date of acquisition:

		RMB'000 人民幣千元
Investment properties	投資物業	227,890
Other receivables	其他應收款項	164
Bank balances	銀行結餘	13
Accounts payable	應付賬款	(1,500)
Accruals, deposits received and other payables	應計費用、已收按金及其他應付款項	(2,967)
Borrowings	借貸	(30,000)
Net assets acquired	收購的資產淨值	193,600

Non-controlling interests:

The non-controlling interests (25%) in non-wholly owned subsidiary of HongKong Jiatian International Trading Development Limited recognised at acquisition date were measured by reference to the proportionate share of recognised amounts of net assets and amounted to RMB48,400,000.

Net cash outflow arising on acquisition:

		RMB'000 人民幣千元
Cash consideration paid	已付現金代價	145,200
Less: Bank balances acquired	減：所需銀行結餘	(13)
		145,187

33. 收購現時集團(續)

該項收購根據香港財務報告準則第3號業務合併採用收購法入賬。收購事項及相關交易成本不包括視乎轉撥代價並直接確認為開支。收購事項產生的商譽為：(a)計入控制溢價的合併成本及(b)預計未來市場開發產生的收益及物業開發業務平台產生的資金。該因不滿足可識別無形資產確認標準，該等收益未在商譽中獨立確認。

34. 透過收購附屬公司收購資產及負債

於二零一五年四月三十日，興富(中國)有限公司(本公司之間接全資附屬公司)與冠潤(香港)實業有限公司(本集團獨立第三方)訂立買賣協議，據此，興富(中國)有限公司有條件同意購買而冠潤(香港)實業有限公司有條件同意出售及轉讓香港佳田國際貿易發展有限公司已發行股本中之10,000股股份，即其全部已發行股本；連同其非全資附屬公司(以下統稱「香港佳田集團」)，其中主要資產僅為投資物業並視作收購資產與負債總代價為人民幣145,200,000元。香港佳田集團透過其非全資附屬公司於中國從事物業投資。收購事項於二零一五年五月四日完成。

於收購日期確認之資產及負債：

		RMB'000 人民幣千元
Investment properties	投資物業	227,890
Other receivables	其他應收款項	164
Bank balances	銀行結餘	13
Accounts payable	應付賬款	(1,500)
Accruals, deposits received and other payables	應計費用、已收按金及其他應付款項	(2,967)
Borrowings	借貸	(30,000)
Net assets acquired	收購的資產淨值	193,600

非控股權益：

於收購日期確認之於非全資附屬公司香港佳田國際貿易發展有限公司25%的非控股權益，乃參考按比例分佔其淨資產的確認金額計量，其金額為人民幣48,400,000元。

收購帶來的現金流出淨額：

		RMB'000 人民幣千元
Cash consideration paid	已付現金代價	145,200
Less: Bank balances acquired	減：所需銀行結餘	(13)
		145,187

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

35. DISPOSAL OF SUBSIDIARIES

As disclosed in note 2, agreements were signed between certain subsidiaries of the Target Group and certain entities controlled by Mr. Wong, pursuant to which certain subsidiaries of the Target Group would be disposed of the entities controlled by Mr. Wong at a total consideration of RMB682,955,000.

On 13 May 2015, the Target Group as the vendor entered into a sale and purchase agreement (the “Shenzhen Wanghaiyikang Disposal Agreement”) with Shenzhen Jinshunlai Investment Development Co., Ltd. as the purchaser to dispose of the entire equity interests in a 90%-owned subsidiary, Shenzhen Wanghaiyikang Industrial Development Co., Ltd. (“Shenzhen Wanghaiyikang”) at a consideration of RMB25,240,000. Shenzhen Wanghaiyikang disposed of certain investment properties to an independent third party before the completion of the Shenzhen Wanghaiyikang Disposal Agreement, since then, it became a shell company with no property holding or active business. The disposal was completed on 13 May 2015.

On 13 May 2015, the Target Group as vendor entered into a sale and purchase agreement with Shenzhen LVGEM Entity Management Group Co., Ltd. as the purchaser to dispose of the entire equity interests in a wholly-owned subsidiary, Shenzhen Lvsheng Investment Development Co., Ltd. (“Shenzhen Lvsheng”), and its subsidiary (collectively referred to as the “Shenzhen Lvsheng Group”) at a consideration of RMB381,230,000. Shenzhen Lvsheng Group holds the industrial factory area in Nanshan district in Shenzhen, the PRC. The disposal was completed on 13 May 2015.

On 29 May 2015, the Target Group as the vendor entered into a sale and purchase agreement with Jinling Holdings Limited as the purchaser to dispose of the entire equity interests in a wholly-owned subsidiary, Jin Xin Investments (Hong Kong) Limited (“Jin Xin”), and its subsidiaries (collectively referred to as the “Jin Xin Group”) at a consideration of RMB276,485,000. Jin Xin Group was engaged in property development in Zhuhai, the PRC, through its subsidiaries. The disposal was completed on 29 May 2015.

The difference of RMB90,671,000 between the consideration of RMB682,955,000 and the carrying amount of assets and liabilities of the disposed subsidiaries as detailed below of RMB773,626,000 was considered as a deemed distribution to Mr. Wong and debited against other reserves of the Group.

The aggregate consideration was satisfied by (i) RMB100,260,000 offset against the amount due to the ultimate controlling party; (2) RMB582,695,000 settled against dividend declared to the ultimate controlling party by the Target Group (see note 12).

35. 出售附屬公司

誠如附註2所披露，目標集團若干附屬公司與黃先生控制之若干實體訂立協議，據此，目標集團之若干附屬公司將出售予黃先生控制之若干實體，總代價為人民幣682,955,000元。

於二零一五年五月十三日，目標集團(作為賣方)與深圳市金順來投資發展有限公司(作為買方)訂立一份買賣協議(「深圳旺海怡康出售協議」)，以出售其持有90%權益之附屬公司深圳市旺海怡康實業發展有限公司(「深圳旺海怡康」)之全部股權，代價為人民幣25,240,000元。於完成深圳旺海怡康出售協議之前，深圳旺海怡康向獨立第三方出售若干投資物業，自此，其成為空殼公司而無持有物業或經營業務。出售事項已於二零一五年五月十三日完成。

於二零一五年五月十三日，目標集團(作為賣方)與深圳市綠景企業管理集團有限公司(作為買方)訂立一份買賣協議，以出售其於全資附屬公司深圳市綠景投資發展有限公司(「深圳綠景」)及其附屬公司，統稱「深圳綠景集團」之全部股權，代價為人民幣381,230,000元。深圳綠景持有中國深圳市南山區之工業區。出售事項已於二零一五年五月十三日完成。

於二零一五年五月二十九日，目標集團(作為賣方)與金凌集團有限公司(作為買方)訂立一份買賣協議，以出售其於全資附屬公司金信投資(香港)有限公司(「金信」)及其附屬公司，統稱「金信集團」之全部股權，代價為人民幣276,485,000元。金信集團於中國珠海透過其附屬公司從事物業發展。出售事項已於二零一五年五月二十九日完成。

代價人民幣682,955,000元與下文詳述已出售附屬公司之資產及負債賬面值人民幣773,626,000元的差額人民幣90,671,000元被認為黃先生的分派及計入本集團的其他儲備。

合共代價將按以下方式支付：(i)人民幣100,260,000元與應付最終控股方款項抵銷；(2)人民幣582,695,000元由集團向最終控股方宣派之股息抵銷(見附註12)。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

35. DISPOSAL OF SUBSIDIARIES (Cont'd)

35. 出售附屬公司(續)

Net assets of the above subsidiaries at the date of disposal were as follows:

於出售日期，上述附屬公司的資產淨值如下：

		RMB'000 人民幣千元
Net assets disposed of:	已出售資產淨值：	
Property, plant and equipment	物業、廠房及設備	28,898
Available-for-sale investments	可供出售投資	4,500
Deferred tax assets	遞延稅項資產	2,587
Properties under development for sale	發展中待售物業	558,591
Properties held for sale	待售物業	247,146
Tax recoverable	應收稅項	239
Accounts and other receivables, deposits and prepayments	應收賬款及其他應收款項、按金及預付款	247,912
Bank balances and cash	銀行結餘及現金	16,139
Accounts and other payables, accruals and deposits received	應付賬款及其他應付款項、應計費用及已收按金	(310,181)
Tax liabilities	稅項負債	(9,191)
Deferred tax liabilities	遞延稅項負債	(13,014)
		773,626
Release of non-controlling interests	解除非控股權益	(11,327)
Exchange reserve released on disposal	出售後解除之匯兌儲備	63,638
Loss on disposal of subsidiaries (included in "other reserve")	出售附屬公司虧損(計入「其他儲備」)	(142,982)
Total consideration	代價總額	682,955

An analysis of the net cash outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

有關出售附屬公司的現金及現金等價物現金流出淨額分析如下：

		RMB'000 人民幣千元
Total cash consideration received	已收現金代價總額	-
Bank balances and cash disposed of	已出售銀行結餘及現金	(16,139)
Net cash outflow on disposal	出售的現金流出淨額	(16,139)

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

36. CONVERTIBLE NOTES

On 10 August 2007, the Company entered into a Convertible Notes Subscription Agreement (the “2007 Agreement”) with Asia Financial Holdings Limited (“AFH”) and Asia Insurance Company, Limited (“AICL”) (AICL is a subsidiary of AFH which is controlled by the associates of Mr. Chan Bernard Charnwut, the then former non-executive director of the Company). Pursuant to the 2007 Agreement, AFH and AICL agreed to acquire the convertible notes (the “2007 Notes”) at HK\$50,000,000 and HK\$25,000,000 respectively, in total of the principal amount of HK\$75,000,000 at interest rate of 5% per annum, payable in arrears on a quarterly basis on 31 March, 30 June, 30 September and 31 December of each year between the date of issue of the 2007 Notes and the maturity date. The 2007 Notes were issued to AFH and AICL on 15 October 2007 and the maturity date was 60 months from the date of issue of the 2007 Notes.

The 2007 Notes were not transferable and not allowed for redemption before the maturity date. Unless previously converted, the Company was obliged to redeem the 2007 Notes on the maturity date at the redemption price of 110% of the principal amount of the 2007 Notes outstanding together with accrued interest payables.

The principal amount of HK\$35,000,000 (HK\$25,000,000 for AFH and HK\$10,000,000 for AICL) of the 2007 Notes should be compulsorily converted at the conversion price of HK\$1.10 per conversion share within seven business days if the closing price per share of the Company was HK\$1.10 or higher for ten consecutive trading days during the period between the date of issue of the 2007 Notes and five business days prior to the maturity date.

In addition, the 2007 Notes could be converted by the holders into ordinary shares of the Company at any part of the principal amount of the 2007 Notes in the multiple of HK\$25,000,000, at a conversion price of HK\$1.10 per conversion share, at any time during the period between the date of issue of the 2007 Notes and the maturity date.

The 2007 Notes contain two components: equity and liability elements. The equity element is presented in equity heading “Convertible notes equity reserve”. The fair value of the liability component at inception date is determined based on the present value of the contractual cash flows payable in the future.

Subsequently on 5 July 2011, the Company entered into a subscription agreement with AFH and AICL in relation to the issue of the 2011 convertible notes (the “2011 Notes”), of which the interest rate has been changed to 6% per annum and the maturity date is 36 months from the date of issue of the 2011 Notes. Notwithstanding that the 2007 Notes did not contain any early redemption clause, the Company, AFH and AICL agreed that, all the 2007 Notes were redeemed by the Company on 30 September 2011 by issuing the 2011 Notes to AFH and AICL on 30 September 2011. Upon redemption, the 2007 Notes were cancelled.

The difference between the redemption amount of 2007 Notes and the fair value of the liability component of 2011 Notes on 30 September 2011 was charged to consolidated statement of profit or loss for the year ended 31 December 2011.

36. 可換股票據

於二零零七年八月十日，本公司與亞洲金融集團(控股)有限公司(「亞洲金融」)及亞洲保險有限公司(「亞洲保險」)訂立可換股票據認購協議(「二零零七年協議」)(亞洲保險為亞洲金融之附屬公司，亞洲金融由本公司當時前任非執行董事陳智思先生之聯繫人控制)。根據二零零七年協議，亞洲金融及亞洲保險同意分別以50,000,000港元及25,000,000港元認購本金總額75,000,000港元的可換股票據(「二零零七年票據」)，年利率為5%，須於二零零七年票據發行日期至到期日期間每年三月三十一日、六月三十日、九月三十日及十二月三十一日按季支付前期利息。二零零七年票據於二零零七年十月十五日發行予亞洲金融及亞洲保險，到期日為自二零零七年票據發行日期起計60個月。

二零零七年票據不可轉讓，並且在到期日前不可贖回。除之前已兌換者外，本公司有責任於到期日按已發行二零零七年票據本金額的110%連同產生的應付利息為贖回價贖回二零零七年票據。

如自二零零七年票據發行當日至到期日前五個營業日期間連續十個交易日的本公司每股股份收市價為1.10港元或以上，則二零零七年票據的本金額35,000,000港元(亞洲金融為25,000,000港元，而亞洲保險為10,000,000港元)須於七個營業日內強制按每股兌換股份1.10港元的兌換價兌換。

此外，持有人可於二零零七年票據發行當日至到期日期間的任何時間按每股兌換股份1.10港元的兌換價將二零零七年票據本金額的任何部分兌換為本公司普通股，兌換額須為25,000,000港元的倍數。

二零零七年票據包括兩個部分：權益及負債部分。權益部分於按權益基準的「可換股票據權益儲備」中呈列。於成立日之負債部分公允價值基於未來應付合約現金流量的現值計算。

其後於二零一一年七月五日，本公司與亞洲金融及亞洲保險就發行二零一一年可換股票據(「二零一一年票據」)訂立認購協議，其中年利率改為6%及到期日為二零一一年票據發行日起三十六個月。儘管二零零七年票據並無訂有任何提早贖回條款，惟本公司、亞洲金融及亞洲保險協定，二零零七年票據均由本公司透過於二零一一年九月三十日向亞洲金融及亞洲保險發行二零一一年票據於二零一一年九月三十日贖回。二零零七年票據已於贖回後註銷。

二零零七年票據的贖回金額與於二零一一年九月三十日之二零一一年票據負債部分的公允價值之間的差額，已於截至二零一一年十二月三十一日止年度的損益賬中扣除。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

36. CONVERTIBLE NOTES (Cont'd)

The 2011 Notes contain two components: equity and liability elements. The equity component is presented in equity heading "Convertible notes equity reserve". The fair value of the liability component at the inception date is determined based on the present value of the contractual cash flows payable in the future at a discount rate which was determined with reference to the market interest rate for an equivalent non-convertible notes and remaining time to maturity. The effective interest rate of the liability component was 13.38% per annum.

On 7 August 2014, the Company received notice from AFH and AICL, requesting for the conversion of the 2011 Convertible Notes in the principal amount of HK\$25,000,000 and HK\$15,000,000, respectively. Accordingly, the Company has allotted and issued a total of 36,363,635 ordinary shares to AFH and AICL at the conversion price of HK\$1.10 per conversion share on 7 August 2014. The ordinary shares issued as a result of the conversion rank pari passu with all the then existing shares as at the date of allotment. As at 31 December 2014, all 2011 Convertible Notes had been converted into ordinary shares of the Company.

37. SHARE-BASED EMPLOYEE COMPENSATION

Pursuant to the written resolutions of all the then shareholders passed on 14 November 2005, the Company has conditionally adopted the Share Option Scheme (the "Scheme") for employee compensation.

The purpose of the Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants for their contributions to the Group and for such other purposes as the Board may approve from time to time.

Pursuant to the Scheme, the Board may, at its discretion, invite any executive or non-executive directors including independent non-executive directors or any employees (whether full-time or part-time) of the Company, its subsidiaries and associated companies; any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of each member of the Group or its associated companies; any consultants, professional and other advisers to each member of the Group or its associated companies (or persons, firms or companies proposed to be appointed for providing such services); any chief executives or substantial shareholders of the Company; any associates of any director, chief executive or substantial shareholder of the Company; and any employees (whether full-time or part-time) of substantial shareholders of the Company, provided that the Board may have absolute discretion to determine whether or not one falls within the above categories, (together, the "Participants" and each a "Participant"), to take up options ("Option(s)") to subscribe for shares at a price determined in accordance with the paragraph below.

In determining the basis of eligibility of each Participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

36. 可換股票據(續)

二零一一年票據包括兩個部分：權益及負債部分。權益部分於按權益基準的「可換股票據權益儲備」中呈列。於成立日之負債部分公允價值基於未來應付合約現金流量按折現率的現值計算，而該折現率乃經參考同等餘下年期之同等不可換股票據之市場利率後計算。負債部份的實際年利率為13.38%。

於二零一四年八月七日，本公司接獲亞洲金融及亞洲保險通知，要求兌換本金額分別為25,000,000港元及15,000,000港元之二零一一年可換股票據。因此，本公司已於二零一四年八月七日按每股兌換股份1.10港元之兌換價，向亞洲金融及亞洲保險配發及發行合共36,363,635股普通股。因兌換而發行之股份與配發當日所有現有股份享有同等地位。於二零一四年十二月三十一日，所有二零一一年可換股票據已轉換為本公司普通股。

37. 以股份支付的僱員薪酬

根據當時全體股東於二零零五年十一月十四日通過的書面決議案，本公司已有條件採納購股權計劃（「該計劃」），作為僱員薪酬。

該計劃旨在讓本公司以靈活的方法，就參與者對本集團的貢獻及董事會可能不時批准的其他目的，給予參與者激勵、獎勵、酬金、報酬及／或利益。

根據該計劃，董事會可酌情邀請本公司、其附屬公司及聯營公司的任何執行或非執行董事，包括獨立非執行董事或任何僱員（不論全職或兼職）；本集團各成員公司或其聯營公司的任何僱員、執行或非執行董事所設立的全權信託的任何全權受益人；本集團各成員公司或其聯營公司的任何諮詢人、專業人士及其他顧問（或擬委任以提供該等服務的人士、商行或公司）；本公司任何主要行政人員或主要股東；本公司任何董事、主要行政人員或主要股東的任何聯繫人；及本公司主要股東的任何僱員（不論全職或兼職），惟董事會可全權酌情釐定有關人士是否屬於上述類別（上述人士均稱為及合稱「參與者」），以接納購股權（「購股權」），並根據下文確定的價格認購股份。

於釐定各參與者的資格標準時，董事會將考慮其可能酌情認為恰當的因素。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

37. SHARE-BASED EMPLOYEE COMPENSATION (Cont'd)

The Scheme shall be valid and effective for a period of ten years commencing on the date on which the Scheme is adopted, after which period no further Options will be granted but in all other respects the provisions of the Scheme shall remain in full force and effect, and Options which are granted during the life of the Scheme may continue to be exercisable in accordance with their terms of grant.

The subscription price in respect of each share issued pursuant to the exercise of Options granted hereunder shall be a price solely determined by the Board and notified to a Participant and shall be at least the highest of:

- (a) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the business day on which an offer is accepted by the grantee or if such date of acceptance by the grantee is not a business day, the immediately preceding business day;
- (b) a price being the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an offer is accepted by the grantee (provided that the new issue price shall be used as the closing price for any business day falling within the period before listing of the shares where the Company has been listed for less than five business days as at the date on which an offer is accepted by the grantee); and
- (c) the nominal value of a Company's share.

The total number of shares, which may be issued upon exercise of all Options to be granted under the Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the total number of shares in issue on the date of commencement of dealings in the shares on the Stock Exchange ("Scheme Mandate Limit"), unless the Company obtains an approval from its shareholders. Options lapsed in accordance with the terms of the Scheme will not be counted for the purpose of calculating such 10% limit.

On 5 May 2014, an ordinary resolution regarding the refreshment of Scheme Mandate Limit was approved by the shareholders of the Company at the AGM. Starting from 5 May 2014, further Options to subscribe up to 132,460,664 shares, being 10% of the total number of Shares in issue on the date of the AGM are available to be granted under the Scheme.

Notwithstanding any other provisions of the Scheme, the maximum number of the shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of shares in issue from time to time.

37. 以股份支付的僱員薪酬(續)

該計劃自獲採納日期起計有效期為十年，在限期後不會再授出購股權，惟在所有其他方面，該計劃的條文仍具有十足效力及作用，於該計劃期限內授出的購股權可按其授出條款繼續行使。

根據本文授出的購股權獲行使而發行的每股股份的認購價，將由董事會獨自釐定及知會參與者，而認購價最低為(以最高者為準)：

- (a) 於要約獲承授人接納的營業日(或如要約獲承授人接納當日並非營業日，則為緊接該日前的營業日)聯交所日報表所報的本公司股份收市價；
- (b) 緊接要約獲承授人接納前五個營業日聯交所日報表所報的本公司股份平均收市價(惟倘本公司於要約獲承授人接納當日已上市的天數少於五個營業日，則新發行價應用作股份上市前期間任何營業日的收市價)；及
- (c) 一股本公司股份面值。

因行使根據該計劃及本公司任何其他購股權計劃授出的所有購股權可發行的股份總數，合共不得超過於聯交所開始買賣當日已發行股份總數的10% (「計劃授權限額」)，惟本公司取得股東的批准則除外。計算該10%限額並不計及根據該計劃條款已失效的購股權。

於二零一四年五月五日，一項更新計劃授權限額的普通決議案於股東週年大會上獲本公司股東批准。自二零一四年五月五日起，根據該計劃，可進一步授出認購最多達132,460,664股本公司股份的購股權，相當於股東週年大會日期已發行股份總數的10%。

儘管該計劃另有任何其他規定，於行使該計劃及本公司任何其他購股權計劃的已授出但尚未行使的所有未行使購股權時，最多可發行的股份數目不得超過不時已發行股份總數的30%。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

37. SHARE-BASED EMPLOYEE COMPENSATION (Cont'd)

Unless approved by the shareholders, the total number of shares issued and to be issued upon exercise of the Options granted to each participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

Offer of an option ("Offer") shall be deemed to have been accepted by any Participant (the "Grantee") who accepts an Offer in accordance with the terms of the Scheme and the option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the Offer duly signed by the Grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the granting thereof is received by the Company within 14 days from the date upon which the Offer is made.

In May 2014, China LVGEM made unconditional cash offer to cancel all outstanding share options of the Company at the offer price of HK\$0.865 for each option (the "Option Offer"). As a result of the Option Offer, 480,000 Options held by those option holders who have accepted the Option Offer were cancelled. The carrying amount of these cancelled options was RMB34,000 which was released from other reserve to share premium.

Details of the Options granted by the Company pursuant to the Scheme and the Options outstanding as at 31 December 2014 were as follows:

		Date of grant (dd/mm/yyyy)		Exercisable period (dd/mm/yyyy)		Balance at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled pursuant to acceptance under the Option Offer by China LVGEM (Note)	Balance at 31 December 2014	Exercise price per share HK\$
		授出日期 (日/月/年)	行使期間 (日/月/年)	於二零一四年一 月一日的結餘	於年內授出	於年內行使	於年內失效	根據接納中國綠 景購股權要約後 註銷 (附註)	於二零一四年十 二月三十一日的 結餘	每股行使價 港元		
Executive directors	執行董事	04/09/2012	04/09/2012 to 03/09/2017	16,000,000	-	(16,000,000)	-	-	-	-	0.2350	
Employees	僱員	04/09/2012	04/09/2012 to 03/09/2017	7,750,000	-	(7,270,000)	-	(480,000)	-	-	0.2350	
				23,750,000	-	(23,270,000)	-	(480,000)	-	-		

Note: Certain holders of the Options have accepted the Option Offer made by China LVGEM pursuant to the offers in respect of 480,000 Options pursuant to the Composite Document dated 15 May 2014 jointly issued by the Company and China LVGEM. Please refer to the announcement dated 5 June 2014 jointly issued by the Company and China LVGEM for details.

The weighted average share price at the date of exercise of Options exercised during year ended 31 December 2014 was HK\$1.10.

37. 以股份支付的僱員薪酬(續)

除非獲股東批准，於任何十二個月期間因行使授予每名參與者的購股權(包括已行使及尚未行使的購股權)而已發行及將予發行的股份總數，不得超過已發行股份總數的1%。

任何參與者(「承授人」)凡按照該計劃的條款接納購股權要約(「要約」)，即被視為接納要約，而當載有接納要約的要約書副本由承授人妥為簽署，並在本公司作出要約當日起14日內，接獲承授人在接納購股權時須向本公司支付1.00港元作為授出購股權的代價後，與要約有關的購股權即被視為已授出並生效。

於二零一四年五月，中國綠景按收購價每份購股權0.865港元作出無條件現金收購要約，以註銷全部尚未行使的本公司購股權(「購股權收購要約」)。由於購股權收購要約，由該等已接納購股權收購要約的購股權持有人持有的480,000份購股權已被註銷。該等已註銷購股權的賬面值為人民幣34,000元已由其他儲備轉撥至股份溢價。

於二零一四年十二月三十一日，本公司根據該計劃授出而尚未行使的購股權詳情如下：

		Date of grant (dd/mm/yyyy)		Exercisable period (dd/mm/yyyy)		Balance at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled pursuant to acceptance under the Option Offer by China LVGEM (Note)	Balance at 31 December 2014	Exercise price per share HK\$
		授出日期 (日/月/年)	行使期間 (日/月/年)	於二零一四年一 月一日的結餘	於年內授出	於年內行使	於年內失效	根據接納中國綠 景購股權要約後 註銷 (附註)	於二零一四年十 二月三十一日的 結餘	每股行使價 港元		
Executive directors	執行董事	04/09/2012	04/09/2012 to 03/09/2017	16,000,000	-	(16,000,000)	-	-	-	-	0.2350	
Employees	僱員	04/09/2012	04/09/2012 to 03/09/2017	7,750,000	-	(7,270,000)	-	(480,000)	-	-	0.2350	
				23,750,000	-	(23,270,000)	-	(480,000)	-	-		

附註：根據本公司及中國綠景聯合刊發日期為二零一四年五月十五日之綜合文件，根據中國綠景作出的收購要約，若干購股權持有人已就480,000份購股權接納購股權收購要約。詳情請參閱本公司及中國綠景聯合刊發日期為二零一四年六月五日之公告。

截至二零一四年十二月三十一日止年度，於購股權行使日期的加權平均股價為1.10港元。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

38. RETIREMENT BENEFIT SCHEME

Hong Kong

The Group has joined a Mandatory Provident Fund Scheme (the “MPF Scheme”) for its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

PRC

The employees of the Group’s subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

During the year, the retirement benefit scheme contributions amounted to RMB10,373,000 (2014: RMB8,382,000). No forfeited contributions has been used to reduce the level of contributions in both years.

39. CAPITAL RISK MANAGEMENT

The Group’s primary objectives when managing capital are to safeguard the Group’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristic of the underlying assets.

The Group monitors capital on the basis of the net debt to equity ratio. For this purpose the net debt is defined as borrowings less cash and cash equivalents. The Group’s goal in capital management is to maintain a net debt to equity ratio at a reasonable level. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debts.

The Group’s overall strategy in capital management remains unchanged from prior year.

38. 退休福利計劃

香港

本集團已參加一項為其在香港之僱員設立之強制性公積金計劃(「強積金計劃」)。強積金計劃已根據強制性公積金計劃條例在強制性公積金計劃管理局註冊。強積金計劃之資產與本集團之資產分開處理，由獨立受託人管理之基金持有。根據強積金計劃之規則，僱主及僱員須分別按規則指定之比率對強積金計劃供款。本集團就強積金計劃承擔之責任僅限於根據強積金計劃規定作出供款。

自綜合損益表中扣除有關強積金計劃之退休福利計劃供款乃本集團按該計劃規則註明之比率須撥入基金之供款額。

中國

本集團中國附屬公司之僱員參與中國政府營運之國家管理退休福利計劃。附屬公司須按僱員薪金之若干比率向國家管理退休福利計劃供款。本集團於該退休福利計劃之責任僅為根據該計劃作出指定供款。

年內，退休福利計劃供款約為人民幣10,373,000元(二零一四年：人民幣8,382,000元)。概無利用沒收供款減低兩個年度內之供款水平。

39. 資本風險管理

本集團管理資本的主要目標是保障本集團可持續經營能力，以不斷為股東提供回報及為其他利益相關方帶來利益。方法包括依照風險水平釐定物業價格，及以合理的成本進行融資。

本集團根據經濟狀況的變動及相關資產的風險特性管理資本結構並作出相應調整。

本集團按淨負債權益比率的基準監察其資本。就此而言，淨負債的定義為借貸減現金及現金等價物。本集團資本管理的目標為將淨負債權益比率維持於合理的水平，為維持或調整資本結構，本集團可調整派付予股東的股息款額、發行新股份、退還股本予股東、籌集新債務融資或出售資產減債。

自上年度起，本集團資本管理的整體策略維持不變。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

40. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

Categories of financial instruments:

Financial assets	金融資產
Loans and receivables (including bank balances and cash)	貸款及應收款項(包括銀行結餘及現金)
Available-for-sale investments	可供出售投資

Financial liabilities	金融負債
Financial liabilities measured at amortised cost	按攤銷成本計量的金融負債

The Group is exposed to a variety of financial risks: currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management focuses on unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group currently does not have any written risk management policies and guidelines. However, the Board meets periodically and cooperates closely with key management to analyse and formulate strategies to manage and monitor financial risks.

The Group is not engaged in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed are described below.

40.1 Currency risk

The Group reports its results in RMB. The Group's primary foreign currency exposure arises from its property development and investment activities in the PRC. The functional currency of these operations is RMB and most of the financial instruments are denominated in RMB. No foreign currency risk has been identified for the financial assets and financial liabilities in the PRC as they were denominated in a currency same as the functional currencies of the group entities to which these transactions relate.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date as follows:

		Assets 資產		Liabilities 負債	
		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)	2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
USD	美元	76	10,591	63,409	64,100
HKD	港元	184,331	60,515	145,827	99,858

Sensitivity analysis

The Group is mainly exposed to the currency of HKD and USD.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

40. 財務風險管理的政策及目標

金融工具類別：

2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
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4,316,888	3,470,401
343,267	347,767

9,653,453	10,143,901
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本集團承受多種財務風險：貨幣風險、利率風險、信貸風險及流動資金風險。本集團的整體風險管理重點在於金融市場的不可預測性，並尋求將對本集團財務表現的潛在不利影響降至最低。本集團現時並無任何明文的風險管理政策及指引。然而，董事會定期召開會議，並與主要管理人員緊密合作，以分析及制定措施以管理及監控財務風險。

本集團並無從事以投機為目標的金融資產買賣。本集團所面對的最主要財務風險載列如下。

40.1 貨幣風險

本集團的業績以人民幣呈列。本集團的主要外匯風險來自其於中國的物業發展及投資活動。該等業務的功能貨幣為人民幣，而大部分金融工具亦以人民幣列值。由於位於中國的金融資產及金融負債乃以與該等交易所涉及的集團實體功能貨幣相同的貨幣列值，故並無就位於中國的金融資產及金融負債確認外匯風險。

本集團以外幣計值之貨幣資產及貨幣負債於報告日期之賬面值如下：

敏感度分析

本集團主要面臨港元及美元貨幣風險。

下表詳述本集團對人民幣兌相關外幣增減5%的敏感度。5%為本年度向主要管理人員內部匯報外幣風險所使用的敏感度，並代表管理層對外幣匯率出現合理可能變動所作出的評估。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

40. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Cont'd)

40.1 Currency risk (Cont'd)

The sensitivity analysis includes only outstanding foreign currency denominated monetary items assuming the balances at the end of the reporting period outstanding for the whole year and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
HKD	港元		
Profit or loss	損益	(1,444)	1,475
USD	美元		
Profit or loss	損益	2,375	2,006

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

40.2 Interest rate risk

The Group has significant borrowings (see note 30 for details) with floating interest rate which are exposed to cash flow interest-rate risk. Loans from non-controlling interests (see note 30 for details), certain bank loans and certain other borrowings, restricted bank deposits and bank balances carried at fixed rate expose the Group to fair value interest rate risk. During the year, the Group has not hedged its cash flow and fair value interest rate risks.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate borrowings at the end of the reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2014: 50) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 (2014: 50) basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by approximately RMB11,105,000 (2014: RMB8,834,000).

40. 財務風險管理的政策及目標(續)

40.1 貨幣風險(續)

敏感度分析僅包括以外幣折算之尚未支付貨幣項目(假設報告期末尚未結算結餘於整個年度未結算),並於年結時以外幣匯率增加5%作匯兌調整。下列之正數數字反映人民幣兌有關外幣升值5%時,除稅後盈利或股本之增加。人民幣兌有關外幣貶值5%時,對除稅後盈利將構成等值之相反影響。

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
HKD	港元		
Profit or loss	損益	(1,444)	1,475
USD	美元		
Profit or loss	損益	2,375	2,006

管理層認為,由於年末風險不反映年內風險,故敏感度未能代表內在外幣風險。

40.2 利率風險

本集團有重大銀行貸款(詳情見附註30)及浮息銀行存款承受來自非控股權益貸款之現金流量利率風險(詳情見附註30)、若干銀行貸款及若干其他借款受限制銀行存款及固定利率銀行結餘使本集團承受公允價值利率風險。於本年度,本集團並無對沖其現金流量及公允價值利率風險。

敏感度分析

以下敏感度分析乃根據浮息銀行貸款於報告期末面對之利率風險釐定。分析乃假設報告期末負債餘額於整個年度尚未償還而編製。向主要管理人員內部申報利率風險時採用50(二零一四年:50)個基點增減,反映管理層對利率合理可能出現之變動之評估。

倘利率增加/減少50(二零一四年:50)個基點而所有其他變數維持不變,本集團年度之稅後盈利將減少/增加約人民幣11,105,000元(二零一四年:人民幣8,834,000元)。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

40. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Cont'd)

40.2 Interest rate risk (Cont'd)

Sensitivity analysis (Cont'd)

Sensitivity analysis on bank deposits is not presented as the directors of the Company consider that the Group's exposure to interest rate fluctuations on bank deposits is insignificant.

40.3 Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 43.

The Group's credit risk is primarily attributable to its accounts and other receivables, amounts due from a joint venture, amounts due from related parties and amount of contingent liabilities in relation to the financial guarantees provided by the Group. The amounts presented in the consolidated statement of financial position are net of allowances for bad and doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers, except for as at 31 December 2015, amount due from a joint venture of RMB518,903,000 (2014: RMB515,557,000) and amounts due from related parties of RMB888,544,000 (2014: RMB228,415,000). The credit risk on liquid funds is limited because the funds have been deposited with various creditworthy financial institutions located in Hong Kong and in the PRC.

40.4 Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In the opinion of the directors of the Company, the Group does not have any significant liquidity risk exposure.

The Group's policy is to regularly monitor its liquidity requirements to ensure that the Group maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term financial liabilities.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's bank borrowings, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Company can be required to pay.

40. 財務風險管理的政策及目標(續)

40.2 利率風險(續)

敏感度分析(續)

銀行存款之敏感度分析並未呈列，因本公司董事認為利率浮動風險對本集團銀行存款並不重大。

40.3 信貸風險

於二零一五年十二月三十一日，由於交易方未有履行責任及本集團提供財務擔保而對本集團造成財務損失的最大信用風險承擔由綜合財務狀況表所載各確認財務資產的賬面值及與本集團所發出財務擔保有關的或然負債金額而產生，於附註43中作出披露。

本集團信貸風險主要來自有關本集團提供財務擔保之應收賬款項及其他應收款項、應收一間合營公司款項、應收關聯方款項及或然負債款項。綜合財務狀況表所示金額已扣除呆壞賬撥備，由本集團管理層根據過往經驗及對當時經濟環境的評估作出估計。

本集團並無重大集中之信貸風險，且其他交易方及客戶數目眾多，能夠分散風險，惟於二零一五年十二月三十一日應收一間合營公司款項人民幣518,903,000元(二零一四年：人民幣515,557,000元)及應收關聯方款項人民幣888,544,000元(二零一四年：人民幣228,415,000元)。由於資金存放於香港及中國具良好信譽的金融機構，故有關流動資金的信貸風險有限。

40.4 流動資金風險

於管理流動資金風險時，本集團監控及維持現金及現金等價物達到管理層認為充足的水平，以便為本集團業務提供資金及減低現金流量波動的影響。本公司董事認為，本集團並無任何重大流動資金風險。

本集團的政策為定期監控其流動資金需要，以確保本集團維持充裕現金儲備來滿足其短期及長期金融負債的流動資金需要。

下表列示按未折現現金流量(包括按合約利率或(如為浮息)按報告期末的現行利率計算的利息金額)可能須還款的最早日期呈列的本集團及本公司於報告期末的銀行借貸的餘下合約期限。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

40. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Cont'd)

40.4 Liquidity risk (Cont'd)

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

		Weighted average effective interest rate	Less than 1 year or on demand	After 1 years but less than 2 years	After 2 years but less than 5 years	After 5 years	Total contractual undiscounted cash flows 未折現金約 現金流量 總額	Carrying amount
		加權平均 實際利率 %	一年內或 按要求 RMB'000 人民幣千元	一年以上 兩年以內 RMB'000 人民幣千元	兩年以上 五年以內 RMB'000 人民幣千元	五年後 RMB'000 人民幣千元	RMB'000 人民幣千元	賬面值 RMB'000 人民幣千元
2015	二零一五年							
Accounts payable	應付賬款	-	1,102,296	-	-	-	1,102,296	1,102,296
Accruals and other payables	應計費用及其他應付款項	-	201,742	115,534	-	-	317,276	317,276
Bank and other borrowings	銀行及其他貸款	6.55	2,122,940	3,185,253	2,024,136	2,076,240	9,408,569	8,150,345
Loans from non-controlling interests	非控股權益貸款	-	63,409	-	-	20,127	83,536	83,536
Financial guarantee contracts (note 43)	金融擔保合約(附註43)	-	2,140,334	-	-	-	2,140,334	-
			5,630,721	3,300,787	2,024,136	2,096,367	13,052,011	9,653,453
		Weighted average effective interest rate	Less than 1 year or on demand	After 1 years but less than 2 years	After 2 years but less than 5 years	After 5 years	Total contractual undiscounted cash flows 未折現金約 現金流量 總額	Carrying amount
		加權平均 實際利率 %	一年內或 按要求 RMB'000 人民幣千元	一年以上 兩年以內 RMB'000 人民幣千元	兩年以上 五年以內 RMB'000 人民幣千元	五年後 RMB'000 人民幣千元	RMB'000 人民幣千元	賬面值 RMB'000 人民幣千元
		%	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
2014 (restated)	二零一四年(經重列)							
Accounts payable	應付賬款	-	1,532,034	-	-	-	1,532,034	1,532,034
Accruals and other payables	應計費用及其他應付款項	-	398,919	118,115	-	-	517,034	517,034
Bank and other borrowings	銀行及其他貸款	7.76	2,406,910	3,164,674	2,618,034	1,366,128	9,555,746	8,034,974
Loans from non-controlling interests	非控股權益貸款	-	-	59,859	-	-	59,859	59,859
Financial guarantee contracts (note 43)	金融擔保合約(附註43)	-	169,948	-	-	-	169,948	-
			4,507,811	3,342,648	2,618,034	1,366,128	11,834,621	10,143,901

40. 財務風險管理的政策及目標(續)

40.4 流動資金風險(續)

具體而言，對於涵蓋銀行可全權酌情行使的按要求償還條款的定期貸款，有關分析按本集團及本公司可能須還款的最早期間(即倘貸方擬行使其無條件權利要求即時償還貸款)呈列現金流量，其他銀行借貸的到期日分析則按計劃還款日期編製。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

40. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Cont'd)

40.4 Liquidity risk (Cont'd)

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained in as above. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Maturity analysis of term loans subject to a repayment on demand clause based on scheduled repayments is as follows:

		On demand	Less than 6 months	6 to 12 months	1 to 2 years	Total undiscounted cash flows	Carrying amount
		按要求	少於六個月	六個月至十二個月	一年至二年	未折現現金流量總額	賬面值
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
31 December 2015	二零一五年十二月三十一日	-	299	299	847	1,445	1,365
31 December 2014 (restated)	二零一四年十二月三十一日 (經重列)	-	2,059	-	-	2,059	2,042

40. 財務風險管理的政策及目標(續)

40.4 流動資金風險(續)

上述計入金融擔保合約的款項為倘交易對方追討有關擔保，本集團根據安排就全部擔保須支付的最高金額。按照報告期末預期，本集團認為根據安排須要繳付該款項的可能性很低。然而，這估計可能會改變，取決於持有已擔保財務應收賬款的交易對方遭受信貸損失而按擔保條款追討的可能性。

下表概述附有按要求償還條款的定期貸款按貸款協議載列的議定還款日期的到期日分析。該等金額包括按合約利率計算的利息款項。因此，該等金額較以上所載到期日分析中「按要求」時間範圍內披露的金額為高。鑒於本集團的財務狀況，董事認為銀行不大可能行使其酌情權要求即時還款。董事相信該等定期貸款將按貸款協議所載的既定還款日期償還。

附有按要求償還條款的定期貸款按既定還款日期的到期日分析如下：

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

40. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Cont'd)

40.5 Fair value

The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

41. COMMITMENTS

(a) Commitments on property development expenditure

Commitments in respect of investment properties under development and properties under development for sale for the Group are as follows:

	2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Contracted but not provided for	1,520,840	909,672

已訂約但未撥備

40. 財務風險管理的政策及目標(續)

40.5 公允價值

該層級根據用於計量金融資產及負債的公允價值的重要輸入數據的相對可靠程度將該等金融資產及負債歸納為三層層級。公允價值層級分為以下層級：

- 第一層：於同類資產及負債的交投活躍市場的報價(未經調整)；
- 第二層：除第一層的報價外，就資產或負債而言可直接(即價格)或間接(即由價格衍生)觀察的輸入數據；及
- 第三層：並非根據可觀察市場數據有關資產或負債的輸入數據(不可觀察輸入數據)。

金融資產或負債的公允價值層級的整體分類乃根據對公允價值計量而言具重大影響的最低層級輸入數據進行。

本公司董事認為，於綜合財務報表確認的金融資產及金融負債的賬面值與其公允值相若。

41. 承擔

(a) 物業發展開支相關承擔

本集團發展中投資物業及發展中待售物業相關資本承擔如下：

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

41. COMMITMENTS (Cont'd)

(b) Operating lease arrangements

- (i) The Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings which are receivable as follows:

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Within one year	一年內	396,608	270,173
In the second to fifth years	第二至五年	724,945	462,325
Over five years	多於五年	303,129	95,279
		1,424,682	827,777

The Group leases out its investment properties under operating lease arrangements which run for initial periods of less than one year to eighteen years (2014: less than one year to nineteen years) or expire at dates as mutually agreed between the Group and the respective tenants, without an option to renew the lease terms at the expiry date. The terms of the leases generally also require the tenants to pay security deposits.

- (ii) The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings which are payable as follows:

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Within one year	一年內	26,033	25,977
In the second to fifth years	第二至五年	77,819	79,596
Over five years	多於五年	42,881	60,745
		146,733	166,318

The Group leases a number of properties under operating lease arrangements which run for initial periods of one year to eight years (2014: one year to nine years) or expire at dates as mutually agreed between the Group and the respective landlords, without an option to renew the lease terms at the expiry date.

41. 承擔(續)

(b) 經營租賃安排

- (i) 本集團根據不可撤銷經營租賃應收土地及樓宇的未來最低租金收入總額如下：

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Within one year	一年內	396,608	270,173
In the second to fifth years	第二至五年	724,945	462,325
Over five years	多於五年	303,129	95,279
		1,424,682	827,777

本集團根據經營租賃安排出租其投資物業，初步為期少於一年至十八年(二零一四年：少於一年至十九年)或按本集團與相關租戶共同協定的日期屆滿，惟並無附帶於屆滿日續租的選擇權。租約條款一般亦規定租戶支付保證按金。

- (ii) 本集團根據不可撤銷經營租賃應付土地及樓宇的未來最低租金費用總額如下：

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Within one year	一年內	26,033	25,977
In the second to fifth years	第二至五年	77,819	79,596
Over five years	多於五年	42,881	60,745
		146,733	166,318

本集團根據經營租賃安排租賃多項物業，初步為期一至八年(二零一四年：一至九年)或按本集團與相關業主共同協定的日期屆滿，惟並無附帶於屆滿日續租的選擇權。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

42. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to secure banking facilities granted to the Group.

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Properties under development for sale	發展中待售物業	1,296,425	783,153
Properties held for sale	待售物業	341,228	376,068
Investment properties	投資物業	8,762,610	7,913,134
Property, plant and equipment	物業、廠房及設備	-	285,541
Pledged deposits	有抵押存款	413,032	400,000
		10,813,295	9,757,896

43. CONTINGENT LIABILITIES

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owned by the defaulted purchasers to the banks.

The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends upon the earlier of the buyer obtained the individual property ownership certificate and the full settlement of mortgage loans by the buyer.

The maximum outstanding amount of guarantees given to banks for mortgage facilities granted to the purchasers of the Group's properties, at the end of the reporting period is RMB2,140,334,000 (2014: RMB169,948,000).

The directors of the Company consider that it is not probable that the Group will sustain a loss under these guarantees as during the periods under guarantees, the Group can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group to the banks. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event the purchasers default payments to the banks.

44. EVENT AFTER THE REPORTING PERIOD

As detailed in the announcements issued by the Company dated 30 July 2015, 13 August 2015 and 22 March 2016, on 30 July 2015, Jianmai Limited, an indirect 75%-owned subsidiary of the Company, as the purchaser, entered into an acquisition agreement with Hanison Construction Holdings (BVI) Limited, an independent third party to the Group, as the vendor and Sanney Limited, an independent third party to the Group, as vendor's guarantor pursuant to which Jianmai Limited conditionally agreed to acquire from the vendor the entire issued capital in Wisdom Concept Development Limited ("Wisdom Concept") and full benefits of the loan extended by the vendor to Wisdom Concept for an aggregate consideration of HK\$710,000,000. Wisdom Concept is engaged in property development in Hong Kong of which the main asset is a piece of land held for development and thus regarded as acquisition of assets and liabilities through acquisition of a subsidiary. The acquisition was completed on 22 March 2016.

42. 資產抵押

於報告期末，本集團已抵押以下資產擔保本集團獲授之銀行融資。

43. 或然負債

本集團為若干銀行就本集團物業買方訂立的按揭貸款而授出的按揭融資提供擔保。根據擔保條款，倘該等買方拖欠按揭付款，則本集團須負責償還尚未償付的按揭貸款連同違約買方應付銀行的任何應計利息及罰金。

本集團的擔保期由相關按揭貸款授出日期起，直至買家取得個人房產權證及悉數清償按揭貸款(以較早者為準)時為止。

於報告期末，就目標集團物業買方獲授的按揭融資而向銀行作出擔保的最高尚未償還金額為人民幣2,140,334,000元(二零一四年：人民幣169,948,000元)。

本公司董事認為本集團於擔保期間不大可能因該等擔保而遭受虧損，而本集團可接管有關物業的所有權並將之出售，以收回本集團向銀行支付的任何金額。由於董事認為該等擔保的公允價值微不足道，故本集團並未就該等擔保確認任何遞延收入。董事亦認為，倘買方拖欠償還銀行貸款，相關物業的公允市值足以彌補本集團所擔保的未償還按揭貸款。

44. 報告期後事項

誠如本公司日期為二零一五年七月三十日、二零一五年八月十三日及二零一六年三月二十二日的公告所詳述，於二零一五年七月三十日，景邁有限公司(本公司間接擁有75%權益之附屬公司，作為收購方)與本集團獨立第三方Hanison Construction Holdings (BVI) Limited (作為賣方)及本集團獨立第三方駿生有限公司(作為賣方之擔保方)訂立收購協議，據此，景邁有限公司有條件同意向賣方收購聰勁發展有限公司(「聰勁」)之全部已發行股本及由賣方向聰勁提供貸款之全部利益，總代價為710,000,000港元。聰勁於香港從事物業發展，其主要資產為持作開發土地，因此，視為透過收購附屬公司收購資產及負債。該收購事項於二零一六年三月二十二日完成。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

45. RELATED PARTY TRANSACTIONS

45. 關連人士交易

(a) Transactions with related parties

(a) 與關連人士進行的交易

The Group had the following transactions with related party:

本集團與關連人士進行的交易如下：

	2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Development cost to Shenzhen Forsafe System Technology Co., Ltd., an entity controlled by ultimate controlling interest	895	739

(b) Balance with related parties

(b) 關連人士之結餘

Details of the balances with related parties at the end of the reporting period are disclosed in the consolidated statement of financial position and notes 17, 24, 29 and 30.

於報告期末與關連人士之結餘詳情於綜合財務狀況報表及附註17、24、29及30中披露。

(c) Key management personnel compensation

(c) 主要管理人員薪酬

The directors are of the opinion that the key management personnel were solely the directors of the Company. Remuneration paid to the Company's directors is disclosed in note 11.

董事認為，主要管理人員僅包括本公司董事。已付本公司董事的薪酬於附註11中披露。

(d) Guarantees provided by related parties

(d) 關聯方提供的擔保

During the year ended 31 December 2014, the ultimate controlling party, together with his controlling entities, Shenzhen Forsafe System Technology Co., Ltd., and Ms. He Yaxing, spouse of the ultimate controlling party, have provided unlimited joint guarantee to the Target Group in respect of certain bank loans and other borrowings with total amount of RMB6,862,032,000. The guarantees have been released during current year because of the Transaction as described in note 2.

截至二零一四年十二月三十一日止年度，最終控股方連同其控制實體深圳市賦安安全系統有限公司及何亞興女士（最終控股方之配偶）已就若干銀行貸款及其他借款向目標集團提供無限連帶擔保，總額為人民幣6,862,032,000元。由於附註2中所述之交易，該等擔保已於本年度解除。

In addition, a secured bank loan with an amount of RMB500,000,000 (2014: RMB500,000,000) was jointly secured by certain properties owned by Ms. He Yaxing, the spouse of the ultimate controlling party.

此外，金額分別為人民幣500,000,000元（二零一四年：人民幣500,000,000元）的有抵押銀行貸款由何亞興女士（最終控股方之配偶）擁有的若干物業作共同抵押。

Certain secured bank loan with amounts of RMB1,234,000,000 (2014: nil) was jointly secured by properties owned by related parties controlled by Mr. Wong.

若干金額為人民幣1,234,000,000元（二零一四年：無）之有抵押銀行貸款由黃先生控制的關連方擁有之物業作共同抵押。

(e) Pledged deposits for letters of credit issued by a the immediate holding company

(e) 直接控股公司發出的信用證提供質押存款

The Group placed pledged deposits of RMB195,000,000 (2014: RMB347,653,000) for the letters of credit issued by the immediate holding company of the Company.

本集團就本公司的直接控股公司發出之信用證存入有抵押存款人民幣195,000,000元（二零一四年：人民幣347,653,000元）。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

46. 本公司財務狀況表

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Non-current assets	非流動資產		
Investments in subsidiaries	於附屬公司的投資	101,030	95,372
Current assets	流動資產		
Amounts due from subsidiaries	應收附屬公司款項	12,193,501	464,840
Deposits paid, prepayments and other receivables	已付按金、預付款項及其他應收款項	2,457	1,337
Bank balances and cash	銀行結餘及現金	86,120	347
		12,282,078	466,524
Current liabilities	流動負債		
Accruals and other payables	應計費用及其他應付款項	(15,402)	(2,186)
Financial guarantee contracts	財務擔保合約	-	(78)
		(15,402)	(2,264)
Net current assets	流動資產淨額	12,266,676	464,260
Net assets	資產淨額	12,367,706	559,632
Capital and reserves	資本及儲備		
Share capital	股本	39,115	11,070
Reserves	儲備	12,328,591	548,562
Total equity	總權益	12,367,706	559,632

The Company's statement of financial position was approved and authorised for issue by the Board on 24 March 2016 and are signed on its behalf by:

本公司之財務狀況表已獲董事會於二零一六年三月二十四日批准及授權刊發，並由以下董事代表簽署：

HUANG Jingshu
黃敬舒
DIRECTOR
董事

DENG Chengying
鄧承英
DIRECTOR
董事

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Cont'd) 46. 本公司財務狀況表(續)

Details of the movement in the Company's share capital and reserves are set out below:

本公司股本及儲備變動之詳情如下：

		Share capital	Share premium	Convertible preference share	Share option reserve	Convertible notes equity reserve	Exchange reserve	Contributed surplus	Retained profits	Total
		股本	溢價	可換股優先股	購股權儲備	可換股票據股權儲備	匯兌儲備	實繳盈餘	保留盈利	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Balance as at 1 January 2014	於二零一四年一月一日之結餘	10,597	422,520	-	1,755	384	948	(18)	6,426	442,612
Profit and total comprehensive income for the year	年內盈利及全面收益總額	-	-	-	-	-	-	-	78,072	78,072
Arising from issue of ordinary shares on exercise of share options	因行使購股權發行普通股而產生	185	4,156	-	-	-	-	-	-	4,341
Arising from issue of ordinary shares on conversion of convertible shares	因兌換可換股票據發行普通股而產生	288	34,319	-	-	-	-	-	-	34,607
Transfer upon exercise of share options and conversion of convertible shares	行使購股權及兌換可換股票據時轉撥	-	2,105	-	(1,721)	(384)	-	-	-	-
Transfer upon cancellation of vested share options	註銷已歸屬購股權時轉撥	-	34	-	(34)	-	-	-	-	-
Balance as at 31 December 2014	於二零一四年十二月三十一日之結餘	11,070	463,134	-	-	-	948	(18)	84,498	559,632
Loss for the year	年內虧損	-	-	-	-	-	-	-	(44,310)	(44,310)
Exchange differences arising from translation	匯兌產生的換算差額	-	-	-	-	-	29,217	-	-	29,217
Arising from issue of Placing Shares (as defined in note 31)	發行配售股份而產生(定義見附註31)	6,779	1,476,557	-	-	-	-	-	-	1,483,336
Arising from the Transaction (as defined in note 2)	自該交易(定義見附註2)產生	21,266	4,359,451	-	-	-	-	-	-	4,380,717
- issue of consideration shares	- 發行代價股份	-	-	-	-	-	-	-	-	-
- issue of convertible preference shares	- 發行可換股優先股	-	-	5,959,114	-	-	-	-	-	5,959,114
Balance as at 31 December 2015	於二零一五年十二月三十一日之結餘	39,115	6,299,142	5,959,114	-	-	30,165	(18)	40,188	12,367,706

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries, each of which is a limited liability company, as at 31 December 2015 and 2014 are as follows:

47. 主要附屬公司的詳情

於二零一五年及二零一四年十二月三十一日主要附屬公司(均為有限公司)的詳情如下:

Name of subsidiary 附屬公司名稱	Place of incorporation/ establishment 註冊成立/ 成立地點	Issued and fully paid ordinary share capital/registered capital 已發行及繳足 普通股本/註冊資本	Attributable equity interest 應佔股本權益		Principal activities (Place of operations) 主要業務(營業地點)
			Directly 直接	Indirectly 間接	
LVGEM Real Estate Limited 綠景地產有限公司	BVI 英屬維爾京群島	347 shares of US\$1 each 347股每股面值1美元	100% (2014: 100%) (二零一四年: 100%)	-	Investment holding (Hong Kong ("HK")) 投資控股(香港)
LVGEM (Suzhou) Real Estate Investment Company Limited 綠景(蘇州)地產投資有限公司	HK 香港	156 shares of HK\$1 each 156股每股面值1港元	- (二零一四年: 100%)	100% (2014: 100%)	Investment holding (HK) 投資控股(香港)
Prosper View Group Limited* ("PVGL") 協朗集團有限公司*(「協朗」)	HK 香港	10,000 shares of HK\$1 each 10,000股每股面值1港元	- (二零一四年: 51%)	51% (2014: 51%)	Investment holding (HK) 投資控股(香港)
World Margin Limited 世謙有限公司	HK 香港	800,000 shares of HK\$1 each 800,000股每股面值1港元	- (二零一四年: 100%)	100% (2014: 100%)	Treasury vehicle of the Group (HK) 處理本集團的財務工作(香港)
Urban Thrive Holdings Limited 城隆控股有限公司	BVI 英屬維爾京群島	1 share of US\$1 each 1股每股面值1美元	100% (2014: nil) (二零一四年: 無)	-	Investment holding (HK) 投資控股(香港)
Jin Xin 金信	HK (Note (c)) 香港(附註(c))	10,000 share of HK\$1 each 10,000股每股面值1港元	- (二零一四年: 100%)	- (2014: 100%)	Investment holding (HK) 投資控股(香港)
Green View Holding Company Limited 綠景控股有限公司	HK 香港	10,000 share of HK\$1 each 10,000股每股面值1港元	- (二零一四年: 100%)	100% (2014: 100%)	Investment holding (HK) 投資控股(香港)
Suzhou Garden Villa Development & Management Co., Ltd. 蘇州錦華苑建設發展管理有限公司	PRC (Note (a)) 中國(附註(a))	US\$20,550,000 20,550,000美元	- (二零一四年: 95%)	95% (2014: 95%)	Properties development and investment (PRC) 物業發展及投資(中國)

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Cont'd)

47. 主要附屬公司的詳情(續)

Name of subsidiary 附屬公司名稱	Place of incorporation/ establishment 註冊成立/ 成立地點	Issued and fully paid ordinary share capital/registered capital 已發行及繳足 普通股本/註冊資本	Attributable equity interest 應佔股本權益		Principal activities (Place of operations) 主要業務(營業地點)
			Directly 直接	Indirectly 間接	
Suzhou New Heritage GF Limited ("SNHGF") 蘇州新綉地產有限公司 ([蘇州新綉])	PRC (Note (b)) 中國(附註(b))	US\$26,600,000 26,600,000美元	-	61% ^a (2014: 61%) (二零一四年: 61%)	Properties development and investment (PRC) 物業發展及投資(中國)
Suzhou New Heritage WZA Limited 蘇州新興地產有限公司	PRC (Note (b)) 中國(附註(b))	US\$8,000,000 8,000,000美元	-	100% (2014: 100%) (二零一四年: 100%)	Properties development and investment (PRC) 物業發展及投資(中國)
New Heritage WJA Limited 吳江新澤地產有限公司	PRC (Note (b)) 中國(附註(b))	US\$13,000,000 13,000,000美元	-	100% (2014: 100%) (二零一四年: 100%)	Properties development and investment (PRC) 物業發展及投資(中國)
Shenzhen LVGEM Asset Management Co., Ltd. 深圳市綠景資產管理有限公司	PRC (Note (b)) 中國(附註(b))	RMB6,000,000 人民幣6,000,000元	-	100% (2014: 100%) (二零一四年: 100%)	Property management service (PRC) 物業管理服務(中國)
Shenzhen LVGEM Hotel Co., Ltd. 深圳市綠景酒店有限公司	PRC (Note (b)) 中國(附註(b))	RMB10,000,000 人民幣10,000,000元	-	100% (2014: 100%) (二零一四年: 100%)	Hotel operation services (PRC) 酒店營運服務(中國)
Shenzhen LVGEM Jiyuan Property Management Service Co., Ltd. 深圳市綠景紀元管理服務有限公司	PRC (Note (b)) 中國(附註(b))	RMB500,000 人民幣500,000元	-	100% (2014: 100%) (二零一四年: 100%)	Property management service (PRC) 物業管理服務(中國)

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Cont'd)

47. 主要附屬公司的詳情(續)

Name of subsidiary 附屬公司名稱	Place of incorporation/ establishment 註冊成立/ 成立地點	Issued and fully paid ordinary share capital/registered capital 已發行及繳足 普通股本/註冊資本	Attributable equity interest		Principal activities (Place of operations) 主要業務(營業地點)
			Directly 直接	Indirectly 間接	
Shenzhen LVGEM Marketing Co., Ltd. 深圳市綠景房地產策劃有限公司	PRC (Note (b)) 中國(附註(b))	RMB1,000,000 人民幣1,000,000元	-	100% (2014: 100%) (二零一四年: 100%)	Consultancy services (PRC) 顧問服務(中國)
Shenzhen LVGEM Property Management Co., Ltd. 深圳市綠景物業管理有限公司	PRC (Note (b)) 中國(附註(b))	RMB5,000,000 人民幣5,000,000元	-	100% (2014: 100%) (二零一四年: 100%)	Property management services (PRC) 物業管理服務(中國)
Shenzhen LVGEM Real Estate Development Co., Ltd. 深圳市綠景房地產開發有限公司	PRC (Note (b)) 中國(附註(b))	RMB150,000,000 人民幣150,000,000元	-	100% (2014: 100%) (二零一四年: 100%)	Property development (PRC) 物業發展(中國)
Shenzhen Lvsheng 深圳市綠晟	PRC (Note (c)) 中國(附註(c))	RMB60,000,000 人民幣60,000,000元	-	- (2014: 100%) (二零一四年: 100%)	Property investment and management service (PRC) 物業投資及管理服務(中國)
Shenzhen Wanghaiyikang 深圳市旺海怡康	PRC (Note (c)) 中國(附註(c))	RMB10,000,000 人民幣10,000,000元	-	- (2014: 90%) (二零一四年: 90%)	Property development (PRC) 物業發展(中國)
Yiyang Zhonghe Real Estate Co., Ltd. 益陽中核置業有限公司	PRC (Note (b)) 中國(附註(b))	RMB30,000,000 人民幣30,000,000元	-	100% (2014: 100%) (二零一四年: 100%)	Property development (PRC) 物業發展(中國)
Zhengxinglong Real Estate (Shenzhen) Co., Ltd. 正興隆房地產(深圳)有限公司	PRC (Note (b)) 中國(附註(b))	HK\$40,000,000 40,000,000港元	-	100% (2014: 100%) (二零一四年: 100%)	Property development (PRC) 物業發展(中國)

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Cont'd)

47. 主要附屬公司的詳情(續)

Name of subsidiary 附屬公司名稱	Place of incorporation/ establishment 註冊成立/ 成立地點	Issued and fully paid ordinary share capital/registered capital 已發行及繳足 普通股本/註冊資本	Attributable equity interest		Principal activities (Place of operations) 主要業務(營業地點)
			Directly 直接	Indirectly 間接	
Zhuhai Huijing Investment Management Co., Ltd. 珠海市惠景投資管理有限公司	PRC (Note (c)) 中國(附註(c))	RMB100,000,000 人民幣100,000,000元	-	- (2014: 90%) (二零一四年: 90%)	Property investment and management service (PRC) 物業投資及管理服務(中國)
Zhuhai LVGEM Property Management Co., Ltd. 珠海市綠景物業管理有限公司	PRC (Note (c)) 中國(附註(c))	RMB3,000,000 人民幣3,000,000元	-	- (2014: 100%) (二零一四年: 100%)	Property management services (PRC) 物業管理服務(中國)
Zhuhai LVGEM Real Estate Development Co., Ltd. 珠海綠景房地產開發有限公司	PRC (Note (c)) 中國(附註(c))	RMB8,000,000 人民幣8,000,000元	-	- (2014: 100%) (二零一四年: 100%)	Property development (PRC) 物業發展(中國)

* The Group has an effective interest of 51% (2014: 51%) in PVGL. In the opinion of the directors, the Group has the power to control over the relevant activities of PVGL and its subsidiary and PVGL and its subsidiary is consolidated in the financial statements accordingly.

* 本集團擁有協朗的51% (二零一四年: 51%) 實際股權。董事認為，本集團有權控制協朗及其附屬公司的相關業務，因此協朗及其附屬公司已在財務報表中綜合入賬。

Approximate percentage.

概約百分比

Notes:

附註:

- (a) This subsidiary is registered as a Sino-foreign cooperative joint venture under the PRC law.
- (b) These subsidiaries are registered as wholly foreign owned enterprises under the PRC law.
- (c) During the year, these subsidiaries have been disposed of (see note 35).
- (d) None of the subsidiaries had issued any debt securities at the end of the reporting period.
- (e) The official names of the PRC subsidiaries are in Chinese. The English translation of the names is for reference only.

- (a) 該附屬公司根據中國法律登記為中外合資合營公司。
- (b) 該等附屬公司根據中國法律登記為外資獨資企業。
- (c) 年內，該等附屬公司已出售(見附註35)。
- (d) 於報告期末，概無附屬公司發行任何債務證券。
- (e) 中國附屬公司之官方名稱為中文，英文譯名僅供參考。

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

董事認為，上表列出之本公司附屬公司，主要影響本集團本年度之業績或為本集團資產及負債之主要組成部份。董事認為詳細交待附屬公司之詳情會令篇幅過於冗長。

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

於年末或年內任何時間，概無附屬公司已發行任何債務證券。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2015
截至二零一五年十二月三十一日止年度

47. PARTICULAR OF PRINCIPAL SUBSIDIARIES (Cont'd)

Material non-controlling interests

Summarised consolidated financial information of PVGL and its subsidiary that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

PVGL and its subsidiary

47. 主要附屬公司的詳情(續)

重大非控股權益

有關協朗及其附屬公司(其擁有重大非控股權益)之綜合財務資料概述如下。下表所載財務資料概要指於集團內公司間對銷前之金額。

協朗及其附屬公司

		2015 二零一五年 RMB'000 人民幣千元	2014 二零一四年 RMB'000 人民幣千元 (restated) (經重列)
Current assets	流動資產	287,013	260,846
Non-current assets	非流動資產	805	833
Current liabilities	流動負債	(114,651)	(31,983)
Non-current liabilities	非流動負債	(66,321)	(124,143)
Equity	權益	106,846	105,553
Equity attributable to owners of the Company	本公司擁有人應佔權益	59,540	59,998
Equity attributable to non-controlling interests	非控股股東應佔權益	47,306	45,555
		106,846	105,553
Revenue	收益	68,306	44,187
Expenses and tax	開支及稅項	(59,551)	(46,728)
Profit (loss) for the year	年度盈利(虧損)	8,755	(2,541)
Profit (loss) attributable to owners of the Company	本公司股東應佔盈利(虧損)	7,004	(1,545)
Profit (loss) attributable to the non-controlling interests	非控股權益應佔盈利(虧損)	1,751	(996)
Profit (loss) for the year	年度盈利(虧損)	8,755	(2,541)
Other comprehensive expense attributable to owners of the Company	本公司股東應佔其他全面開支	(7,462)	(2,657)
Other comprehensive expense attributable to the non-controlling interests	非控股權益應佔其他全面開支	-	(1,713)
Other comprehensive expense for the year	年度其他全面開支	(7,462)	(4,370)
Total comprehensive expense attributable to owners of the Company	本公司股東應佔全面開支總額	(458)	(4,202)
Total comprehensive income (expense) attributable to the non-controlling interests	非控股權益應佔全面收益(開支)總額	1,751	(2,709)
Total comprehensive income (expense) for the year	年度全面收益(開支)總額	1,293	(6,911)
Net cash inflow from operating activities	經營活動的現金流入淨額	132,746	13,617
Net cash outflow from investing activities	投資活動的現金流出淨額	(57,055)	(1,276)
Net cash inflow	現金流入淨額	75,691	12,341

Note: As at 31 December 2015, the Group held 51% (2014: 51% through its non-wholly owned subsidiary) equity interest in PVGL, which indirectly held 80% (2014: 80%) equity interest in SNHGF. In addition, the Group also indirectly held the remaining 20% (2014: 20%) equity interest in SNHGF. Therefore, the Group effectively held 61% (2014: 61%) in SNHGF.

附註：於二零一五年十二月三十一日，本集團持有協朗51%股權(二零一四年：透過其非全資附屬公司持有51%)，協朗間接持有蘇州新綉80%股權(二零一四年：80%)。此外，本集團亦間接持有蘇州新綉餘下20%股權(二零一四年：20%)。因此，本集團實際持有蘇州新綉61%(二零一四年：61%)權益。

REGISTERED OFFICES

Issuer's Registered Office

Vistra Corporate Services Centre
Wickhams Cay II, Road Town
Tortola, VG 1110
British Virgin Islands

Company's Registered Office

LVGEM (China) Real Estate Company Limited
PO Box 1350
Clifton House, 75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

Place of Business in Hong Kong

LVGEM (China) Real Estate Company Limited
Suites 1701-1703, 17/F
Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

TRUSTEE

Citicorp International Limited
39/F, Champion Tower
3 Garden Road
Central
Hong Kong

PAYING AND TRANSFER AGENT AND REGISTRAR

Citibank, N.A., London Branch
c/o Citibank, N.A., Dublin Branch
One North Wall Quay
Dublin 1
Ireland

LEGAL ADVISORS TO THE COMPANY

As to U.S. and Hong Kong Law

Sidley Austin
Level 39, Two International
Finance Centre
8 Finance Street
Central, Hong Kong

As to PRC Law

Global Law Office
Units B/C, 26/F, Tower 5
Dachong International Center
No. 39 Tonggu Road
Nanshan District
Shenzhen 518055
PRC

As to Cayman Islands and British Virgin Islands Law

Appleby
2206-19 Jardine House
1 Connaught Place
Central
Hong Kong

LEGAL ADVISORS TO THE INITIAL PURCHASERS

As to U.S. Law

Shearman & Sterling
12/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC Law

Jingtian & Gongcheng
34/F, Tower 3
China Central Place
77 Jianguo Road
Beijing, PRC

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

SINGAPORE LISTING AGENT

Shook Lin & Bok LLP
1 Robinson Road
#18-00 AIA Tower
Singapore 048542