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COUNTRY GARDEN HOLDINGS COMPANY LIMITED

碧桂園控股有限公司

(於開曼群島註冊成立之有限公司)

(股份代號：2007)

海外監管公告

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條作出。

茲提述碧桂園控股有限公司(「本公司」)日期為2018年1月8日及2018年1月10日就有關票據發行之公告(「該等公告」)。除另有界定外，本公告所採用詞彙均與該等公告所界定者具有相同涵義。

謹請參閱隨附有關票據之發售章程(「該發售章程」)，該發售章程已於2018年1月18日刊載於新加坡證券交易所有限公司網站。

於聯交所網站刊載該發售章程僅為促使向香港投資者發佈同步資訊，並遵守上市規則第13.10B條，概無任何其他目的。

該發售章程並不構成在任何司法權區向公眾提呈出售任何證券的招股章程、通告、通函、宣傳冊或廣告，亦非邀請公眾提出認購或購買任何證券的要約，且不旨在邀請公眾提出認購或購買任何證券的要約。

該發售章程不應被視為誘導認購或購買本公司任何證券，亦不旨在進行該等誘導。投資決策不應根據該發售章程所載的資料而作出。

承董事會命
碧桂園控股有限公司
總裁兼執行董事
莫斌

中國廣東省佛山市，2018年1月19日

於本公告日期，本公司的執行董事為楊國強先生(主席)、楊惠妍女士(副主席)、莫斌先生(總裁)、楊子瑩女士、楊志成先生、謝樹太先生、宋軍先生、梁國坤先生及蘇柏垣先生。本公司的非執行董事為陳翀先生。本公司的獨立非執行董事為黎明先生、石禮謙先生、唐滙棟先生、黃洪燕先生、梅文珏先生及楊國安先生。

Strictly confidential—Do not forward
THIS DOCUMENT IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-U.S. PERSONS
OUTSIDE OF THE UNITED STATES PURCHASING IN AN “OFFSHORE
TRANSACTION” AS DEFINED IN REGULATION S.

IMPORTANT: You must read the following disclaimer before continuing. If you are not the intended recipient of this message, please do not distribute or copy the information contained in this e-mail, but instead, delete and destroy all copies of this e-mail including all attachments. The following applies to the offering memorandum (as defined therein) attached to this e-mail. You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached offering memorandum. In accessing the attached offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of Your Representation: You have accessed the attached document on the basis that you have confirmed your representation to Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities plc, BNP Paribas and BOCI Asia Limited (the “Joint Lead Managers” and the “Joint Bookrunners”) that (1) you are a non-U.S. person outside the United States, as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and, to the extent you purchase the securities described in the attached offering memorandum, you will be doing so pursuant to Regulation S under the Securities Act AND (2) that you consent to delivery of the attached offering memorandum and any amendments or supplements thereto by electronic transmission.

MiFID II product governance / Professional investors and ECPs only target market—For the purposes of Directive 2014/65/EU (as amended, “MiFID II”), any person offering, selling or recommending the Notes (a “distributor”) should take into consideration the target market in respect of the Notes which is eligible counterparties and professional clients only, each as defined in MiFID II; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market) and determining appropriate distribution channels.

The attached offering memorandum is not a prospectus for the purposes of the European Union’s Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the “EEA”). **Prohibition of Sales to EEA Retail Investors—**The securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended (“MiFID II”); or (ii) a customer within the meaning of Directive 2002/92/EC (the Insurance Mediation Directive), as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the “PRIIPs Regulation”) for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

Restrictions: The attached document is an offering memorandum and is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described therein. You are reminded that the information in the attached document is not complete and may be changed. Any investment decision should be made on the basis of the final terms and conditions of the relevant securities and the information contained in the final offering memorandum that will be distributed to you prior to the relevant closing date, if any, and not on the basis of the attached document. If you have gained access to this transmission contrary to any of the restrictions herein, you are not authorized and will not be able to purchase any of the securities described in the offering memorandum.

The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the issuer of the securities, the Joint Lead Managers and Joint Bookrunners or any person who controls any of them or any of their respective directors, employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT NOR UNDER THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND THEY MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT PURSUANT TO AN EXCEPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE SUCH OFFER WOULD BE UNLAWFUL.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the issuer of the securities or the initial purchaser to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute a general advertisement or solicitation in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchaser or any affiliate of the initial purchaser is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchaser or their respective affiliates on behalf of the issuer in such jurisdiction.

You are reminded that you have accessed the attached offering memorandum on the basis that you are a person into whose possession the offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

Actions that You May Not Take: You should not reply by e-mail to this communication, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, may not be received, and even if received will be ignored or rejected.

YOU ARE NOT AUTHORIZED AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING MEMORANDUM, IN WHOLE OR IN PART, IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

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Country Garden Holdings Company Limited

碧桂園控股有限公司

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

US\$250,000,000 4.750% Senior Notes due 2023

US\$600,000,000 5.125% Senior Notes due 2025

We are offering 4.750% Senior Notes due 2023 in the aggregate principal amount of US\$250,000,000 (the "January 2023 Notes") and 5.125% Senior Notes due 2025 in the aggregate principal amount of US\$600,000,000 (the "January 2025 Notes" and together with the January 2023 Notes, the "Notes"). The January 2023 Notes will bear interest at the rate of 4.750% per annum and will mature on January 17, 2023. The January 2025 Notes will bear interest at the rate of 5.125% per annum and will mature on January 17, 2025.

We will pay interest on the January 2023 Notes on January 17 and June 17. The January 2023 Notes will mature on January 17, 2023. At any time prior to January 17, 2021, we may at our option redeem the January 2023 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the January 2023 Notes plus a premium as set forth in this offering memorandum, and accrued and unpaid interest. At any time and from time to time prior to January 17, 2021, we may redeem up to 35% in aggregate principal amount of the January 2023 Notes, at a redemption price equal to 104.750%, plus accrued and unpaid interest, if any, with the proceeds from sales of certain kinds of our capital stock. For a more detailed description of the redemption of the January 2023 Notes, see "Description of the January 2023 Notes—Optional redemption."

We will pay interest on the January 2025 Notes on January 17 and June 17. The January 2025 Notes will mature on January 17, 2025. At any time prior to January 17, 2022, we may at our option redeem the January 2025 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the January 2025 Notes plus a premium as set forth in this offering memorandum, and accrued and unpaid interest. At any time and from time to time prior to January 17, 2022, we may redeem up to 35% in aggregate principal amount of the January 2025 Notes, at a redemption price equal to 105.125%, plus accrued and unpaid interest, if any, with the proceeds from sales of certain kinds of our capital stock. For a more detailed description of the redemption of the January 2025 Notes, see "Description of the January 2025 Notes—Optional redemption."

Upon the occurrence of a Change of Control Triggering Event, we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The Notes are senior obligations of Country Garden Holdings Company Limited (the "Issuer"), guaranteed by our existing subsidiaries (the "Subsidiary Guarantors") (the "Subsidiary Guarantees") other than certain subsidiaries specified in "Description of the Notes" and those organized under the laws of the People's Republic of China (the "PRC") (the "Non-Guarantor Subsidiaries").

The Notes will (1) rank at least *pari passu* with all our other unsecured, unsubordinated indebtedness (subject to any priority rights pursuant to applicable law), (2) be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries, including our subsidiaries in the PRC, and (3) be effectively subordinated to our secured obligations and those of the Subsidiary Guarantors, to the extent of the assets serving as security therefor. The Notes and the Subsidiary Guarantees will be secured by liens over the capital stock of the Subsidiary Guarantors, and pursuant to an intercreditor agreement (as amended and supplemented, the "Intercreditor Agreement"), rank *pari passu* with respect to such collateral with the Issuer's obligations under the indenture governing the US\$750 million 7.50% Senior Notes due 2023 (the "2023 Notes"), the indenture governing the US\$750 million 7.25% Senior Notes due 2021 ("the "2021 Notes"), the indenture governing the US\$250 million 7.50% Senior Notes due 2019 (the "Private Notes"), the indenture governing the US\$900 million 7.50% Senior Notes due 2020 (the "2020 Notes"), the indenture governing the US\$650 million 4.75% Senior Notes due 2023 (the "September 2023 Notes"), the indenture governing the US\$350 million 5.625% Senior Notes due 2026 (the "2026 Notes"), the indenture governing the US\$700 million 4.75% Senior Notes due 2022 (the "2022 Notes"), the indenture governing the US\$500 million 3.875% Senior Notes due 2018 (the "November 2018 Notes"), the credit agreement in relation to the HK\$2,925 million and US\$203 million equivalent dual tranche transferable term loan facility (the "2014 Club Loan"), the facility agreement in relation to the US\$975 million equivalent dual tranche transferable term loan facility (the "2015 Club Loan"), the facility agreement in relation to the US\$1.5 billion equivalent dual tranche transferable term loan facility (the "2016 Club Loan"), the GS ISDA Agreement (as defined herein), the GS Guarantee (as defined herein), the DB ISDA Agreement (as defined herein) and the DB Guarantee (as defined herein) and the facility agreement in relation to the HK\$2,454 million and US\$935 million dual tranche transferable term loan facility (the "2017 Club Loan"). See "Risk factors—Risks relating to the Subsidiary Guarantees and the Collateral."

For a more detailed description of the Notes, see "Description of the January 2023 Notes" beginning on page 288 and "Description of the January 2025 Notes" beginning on page 374.

Investing in the Notes involves risks. See "Risk factors" beginning on page 22.

Applications have been made for the listing and quotation of the Notes on the Singapore Exchange Securities Trading Limited (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 for the listing and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Subsidiary Guarantors, or any other subsidiary or associated company of the Issuer, the Notes or the Subsidiary Guarantees.

The appointment of the Trustee and Agents remains subject to satisfactory completion of their regulatory and internal compliance procedures.

Offering Price: January 2023 Notes: 100.000%
January 2025 Notes: 99.565%

The Offering Price set forth above does not include accrued interest, if any. Interest on the Notes will accrue from January 17, 2018.

The Notes and the Subsidiary Guarantees have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. persons (as defined in Regulation S under the Securities Act (the "Regulation S")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only to a non-U.S. person outside the United States in compliance with Regulation S. For a description of certain restrictions on resale or transfer, see the section entitled "Transfer restrictions."

With reference to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) (the "NDRC Notice") promulgated by National Development and Reform Commission (the "NDRC") of the PRC on September 14, 2015 which came into effect on the same day, we have registered the issuance of the Notes with the NDRC and obtained a certificate from the NDRC dated December 13, 2017, evidencing such registration. Pursuant to the registration certificate, we will cause relevant information relating to the issue of the Notes to be reported to the NDRC within 10 PRC working days after the issue date of the Notes.

It is expected that delivery of the Notes will be made on or about January 17, 2018 through the book-facilities of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, S.A., Luxembourg ("Clearstream") against payment therefor in immediately available funds.

Joint Global Coordinators

Goldman Sachs (Asia) L.L.C. and J.P. Morgan
Joint Bookrunners and Joint Lead Managers

Goldman Sachs (Asia) L.L.C. J.P. Morgan BNP Paribas BOCI International

Offering Memorandum dated January 9, 2018

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

This offering memorandum is not a prospectus for the purposes of the European Union’s Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the “EEA”). **Prohibition of Sales to EEA Retail Investors**—The securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended (“MiFID II”); or (ii) a customer within the meaning of Directive 2002/92/EC (the Insurance Mediation Directive), as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the “PRIIPs Regulation”) for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The communication of this offering memorandum and any other document or materials relating to the issue of the Notes offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom’s Financial Services and Markets Act 2000, as amended (“FSMA”). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as

a financial promotion is only being made to those persons in the United Kingdom 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 Notes offered hereby 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, THE INITIAL PURCHASERS, AS STABILIZING MANAGER, OR ANY PERSON OR ENTITY ACTING ON ITS BEHALF, MAY OVER-ALLOT NOTES OR EFFECT PURCHASES AND SALES OF THE NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NOTES. AS A RESULT, THE PRICE OF THE NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY WILL BE CONDUCTED IN ACCORDANCE WITH APPLICABLE LAWS AND REGULATIONS AND MAY BE ENDED AT ANY TIME, BUT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE ALLOTMENT OF THE NOTES. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF THE INITIAL PURCHASERS, AS STABILIZING MANAGER (OR ANY PERSON OR ENTITY ACTING ON ITS BEHALF) AND NOT FOR THE ISSUER OR ON ITS 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 herein and the Notes and the Subsidiary Guarantees that is material in the context of the issue and offering of the Notes; (ii) the statements contained in this offering memorandum relating to us and our subsidiaries and our affiliates are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this offering memorandum with regard to us and our subsidiaries and affiliates are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to us, our subsidiaries and affiliates, the Notes and the Subsidiary Guarantees, the omission of which would, in the context of the issue and offering of the Notes, make this offering memorandum, as a whole, misleading in any material respect; and (v) we have made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. We accept responsibility accordingly.

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

We have prepared this offering memorandum, and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Notes. By purchasing the Notes, you will be deemed to have

acknowledged that you have made certain acknowledgements, representations and agreements as set forth under the section headed "Transfer restrictions" below.

No representation or warranty, express or implied, is made by the Initial Purchasers (as defined in the section headed "Plan of distribution"), Citicorp International Limited (the "Trustee"), Citibank, N.A., London Branch (the "Paying and Transfer Agent" and the "Registrar," collectively, the "Agents") or any of their affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation, whether as to the past or the future. Neither the Trustee nor the Agents have independently verified all of such information and they assume no responsibility for its accuracy or completeness.

Prospective investors in the Notes should rely only on the information contained in this offering memorandum. Neither we nor the Initial Purchasers, the Trustee or the Agents have authorized the provision of information different from that contained in this offering memorandum. The information contained in this offering memorandum is accurate in all material respects only as of the date of this offering memorandum, regardless of the time of delivery of this offering memorandum or of any sale of the Notes. Neither the delivery of this offering memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs or those of each of our respective subsidiaries or that the information set forth herein is correct in all material respects as of any date subsequent to the date hereof.

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

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

We are not, and the Initial Purchasers are not, making an offer to sell the Notes in any jurisdiction except where an offer or sale is permitted. The distribution of this offering memorandum and the offering of the Notes may in certain jurisdictions be restricted by law. Persons into whose possession this offering memorandum comes are required by us and the Initial Purchaser to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the Notes and distribution of this offering memorandum, see the sections headed "Transfer restrictions" and "Plan of distribution" below.

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. None of us, the Initial Purchasers, the Trustee, the Agents, or any of our or their respective affiliates or representatives is or are making any representation to you regarding the legality of an investment in the Notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Notes.

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes may not be circulated or distributed, nor may any Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"); (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where any 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 Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

We reserve the right to withdraw the offering of Notes at any time, and the Initial Purchasers reserve the right to reject any commitment to subscribe for the Notes in whole or in part and to

allot to any prospective purchaser less than the full amount of the Notes sought by such purchaser. The Initial Purchasers and certain related entities may acquire for their own account a portion of the Notes.

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 Country Garden Holdings Company Limited itself, or to Country Garden Holdings Company Limited and its consolidated subsidiaries, as the context requires.

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

In this offering memorandum, all references to “US\$” and “U.S. dollars” are to United States dollars, the official currency of the United States; 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”); all references to “RMB” or “Renminbi” are to the Renminbi, the official currency of the People’s Republic of China.

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 RMB6.7793 to US\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2017, and all translations from H.K. dollars into U.S. dollars were made at the rate of HK\$7.7908 to US\$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2017. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see “Exchange rates.”

References to the “2014 Club Loan” are to our HK\$2,925 million and US\$203 million equivalent dual tranche transferable term loan facility. See “Description of other material indebtedness—Offshore facility agreements.”

References to the “2014 Notes” are to our 11.750% senior notes due 2014 issued on September 10, 2009 in the aggregate principal amount of US\$300 million (the “Original 2014 Notes”) and further issued on September 23, 2009 in the aggregate principal amount of US\$75 million, which were consolidated and formed a single series with the Original 2014 Notes). As of the date of this offering memorandum, the 2014 Notes have been fully redeemed upon maturity.

References to the “2015 Club Loan” are to our US\$975 million equivalent dual tranche transferable term loan facility. See “Description of other material indebtedness—Offshore facility agreements.”

References to the “2015 Notes” are to our 10.500% senior notes due 2015 issued on August 11, 2010 in the aggregate principal amount of US\$400 million. As of the date of this offering memorandum, the 2015 Notes have been fully redeemed upon maturity.

References to the “2016 Club Loan” are to our US\$1.5 billion equivalent dual tranche transferable term loan facility. See “Description of other material indebtedness—Offshore facility agreements.”

References to the “2016 Facility Agreement” are to the facility agreement for the 2016 Club Loan.

References to the “2017 Club Loan” are to our HK\$2,454 million and US\$935 million dual tranche transferable term loan facility. See “Description of other material indebtedness—Offshore facility agreements.”

References to the “2017 Facility Agreement” are to the facility agreement for the 2017 Club Loan.

References to the “2017 Notes” are to our 11.250% senior notes due 2017 issued on April 22, 2010 in the aggregate principal amount of US\$550 million. As of the date of this offering memorandum, we have redeemed in full the 2017 Notes.

References to the “2018 Notes” are to our 11.125% senior notes due 2018 issued on February 23, 2011 in the aggregate principal amount of US\$900 million. As of the date of this offering memorandum, we have redeemed in full the 2018 Notes.

References to the “2019 Notes” are to our 7.875% senior notes due 2019 issued on May 27, 2014 in the aggregate principal amount of US\$550 million. As of the date of this offering memorandum, we have redeemed in full the 2019 Notes.

References to the “2020 Notes” are to our 7.50% senior notes due 2020 issued on March 9, 2015 in the aggregate principal amount of US\$900 million. See “Description of other material indebtedness—2020 Notes.”

References to the “2021 Notes” are to our 7.25% senior notes due 2021 issued on October 4, 2013 in the aggregate principal amount of US\$750 million. See “Description of other material indebtedness—2021 Notes.”

References to the “2022 Notes” are to our 4.75% senior notes due 2022 issued on July 25, 2017 in the aggregate principal amount of US\$700 million. See “Description of other material indebtedness—2022 Notes.”

References to the “2023 Notes” are to our 7.50% senior notes due 2023 issued on January 10, 2013 in the aggregate principal amount of US\$750 million. See “Description of other material indebtedness—2023 Notes.”

References to the “2026 Notes” are to our 5.625% senior notes due 2026 issued on December 15, 2016 in the aggregate principal amount of US\$350 million. See “Description of other material indebtedness—2026 Notes.”

References to the “Asian Games City Project” are to the development of certain parcels of land located in the Panyu District of Guangzhou City that we, together with certain other property developers in the PRC, acquired pursuant to a land grant contract with the PRC government dated December 22, 2009, as amended and supplemented. The development of this project will be implemented through a project company (the “Asian Games City JV”), in which we, Agile Property Holdings Limited (“Agile”), Guangzhou R&F Properties Co., Ltd. (“R&F”), Shimao Property Holdings Limited (“Shimao”) and Citic South (Group) Co. Ltd. (“Citic South”) each holds a 20% equity interest. Although we hold only a minority interest in the Asian Games City JV, we have taken into account this project when calculating the number of our projects, the site area or GFA data included in this offering memorandum, unless otherwise specified. For additional information about the Asian Games City Project, see “Business—Asian Games City Project.”

References to “contracted sales” refer to the purchase price of formal purchase contracts we entered into with purchasers of our properties. We compile contracted sales information (including contracted sales amounts, ASP and GFA) through our internal records, and such information has not been audited or reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong. As these sales and purchases contracts are subject to termination or variation under certain circumstances pursuant to their contractual terms, or subject to default by the relevant purchasers, they are not a guarantee of current or future contracted sales. Contracted sales information included in this offering memorandum should in no event be treated as an indication of our revenue or profitability. Our subsequent revenue recognized from such contracted sales may be materially different from such contracted sales. Accordingly, contracted sales information contained in this offering memorandum should not be unduly relied upon as a measure or indication of our current or future operating performance.

References to “Convertible Bonds” are to our RMB-denominated U.S. dollars settled 2.5% convertible bonds due 2013 which were fully redeemed on February 22, 2013.

References to the “DB Guarantee” are to the deeds of guarantee entered into by each of the Subsidiary Guarantors dated May 9, 2017, whereby the Company’s obligations under the DB ISDA Agreement (as defined below) will be unconditionally and irrevocably guaranteed by the Subsidiary Guarantors.

References to the “DB Hedging Documents” are collectively to the DB Guarantee and the DB ISDA Agreement.

References to the “DB Hedging Obligations” are to the amounts due from the Company and the Subsidiary Guarantors under the DB Hedging Documents.

References to the “DB ISDA Agreement” are to the ISDA 2002 Master Agreement as modified by the First Amendment Agreement entered into by the Company and Deutsche Bank AG dated May 9, 2017.

References to the “GS Guarantee” are to the guarantee entered into by the Company, the Subsidiary Guarantors and Goldman Sachs International dated June 30, 2016, whereby the Company’s obligations under the GS ISDA Agreement (as defined below) will be unconditionally and irrevocably guaranteed by the Subsidiary Guarantors.

References to the “GS Hedging Documents” are collectively to the GS Guarantee and the GS ISDA Agreement.

References to the “GS Hedging Obligations” are to the amounts due from the Company and the Subsidiary Guarantors under the GS Hedging Documents.

References to the “GS ISDA Agreement” are to the ISDA 2002 Master Agreement as modified by the schedule to the 2002 Master Agreement entered into by the Company and Goldman Sachs International dated June 30, 2016.

References to the “November 2018 Notes” are to our senior notes due 2018 issued on November 22, 2017 in the aggregate principal amount of US\$500 million. See “Description of other material indebtedness—November 2018 Notes.”

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

References to the “Private Notes” are to our 7.50% senior notes due 2019 issued on June 5, 2014 in the aggregate principal amount of US\$250 million. See “Description of other material indebtedness—Private Notes.”

References to the “Rights Issue” are to our rights issue on October 13, 2014 of 1,271,988,736 rights shares of the Company at the subscription price of HK\$2.50 each on the basis of one rights share for every 15 existing shares held on the relevant record date.

References to the “September 2023 Notes” are to our 4.75% senior notes due 2023 issued on September 28, 2016 in the aggregate principal amount of US\$650 million. See “Description of other material indebtedness—September 2023 Notes.”

Unless otherwise stated, the site area and GFA data at our property developments presented in this offering memorandum do not include the site area and GFA attributable to our hotel properties or planned hotel developments.

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 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 purpose only. In the event of any inconsistency, the Chinese name prevails.

Forward-looking statements

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

- the performance of the property market in places in which we engage in property development;
- future developments in the property market in places in which we engage or may engage in property development;
- the global economic environment and industry outlook generally;
- the availability of and changes to bank loans and other forms of financing;
- changes in political, economic, legal and social conditions in the places in which we engage or may engage in property development, including government policies concerning land supply, the availability and cost of project financing and mortgage financing, pre-sales, and the pricing and volume of our property developments;
- changes in competitive conditions and our ability to compete under these conditions;
- our ability to manage our growth and our geographically diversified business;
- our ability to acquire and develop land;
- cost and supply of construction materials and labor;
- the performance of the obligations and undertakings of the independent contractors under various construction, building, interior decoration and installation contracts;
- the timely repayments by purchasers of our properties of mortgage loans guaranteed by us;
- the performance of the obligations and commitments of our joint venture partners under the existing and future joint venture agreements;
- changes in currency exchange rates;
- delay in obtaining proper legal titles for our properties or necessary government approvals for our operations; and
- other factors beyond our control.

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

Enforcement of civil liabilities

We are an exempted company incorporated in the Cayman Islands with limited liability, and each Subsidiary Guarantor is also incorporated outside the United States in jurisdictions such as the British Virgin Islands (“BVI”) and Hong Kong. The Cayman Islands, BVI, 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 and the assets of the Subsidiary Guarantors are located outside the United States. In addition, all of our directors and officers and the Subsidiary Guarantors’ directors and officers are nationals or residents of countries other than the United States (principally, the PRC), and all or a substantial portion of such persons’ assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us, any of the Subsidiary Guarantors or such persons or to enforce against us or any of the Subsidiary Guarantors or such persons judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

We and each of the Subsidiary Guarantors expect to appoint Law Debenture Corporate Service Inc. as our and their respective agent to receive service of process with respect to any action brought against us or the Subsidiary Guarantors in the United States federal courts located in the Borough of Manhattan, The City of New York under the federal securities laws of the United States or of any state of the United States or any action brought against us or the Subsidiary Guarantors in the courts of the State of New York in the Borough of Manhattan, The City of New York under the securities laws of the State of New York.

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

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

We have been advised by our Hong Kong legal advisor, Sidley Austin, that Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. However, under Hong Kong common law, a foreign judgment (including one from a court in the United States predicated upon U.S. federal or state securities laws) may be enforced in Hong Kong by bringing an action in a Hong Kong court and seeking summary or default judgment on the strength of the foreign judgment, provided that the foreign judgment is for a 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) according to Hong Kong rules;
- (c) is contrary to public policy or natural justice;
- (d) is based on foreign penal, revenue or other public law; or
- (e) falls within Section 3(1) of the Foreign Judgment (Restriction on Recognition and Enforcement) Ordinance.

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

Exchange rates

PRC

The People's Bank of China ("PBOC") sets and publishes daily a central parity exchange rate with reference primarily to the supply and demand of the 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. Since 1994, the conversion of the Renminbi into foreign currencies, including H.K. dollars and U.S. dollars, has been based on rates set by PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of the Renminbi to U.S. dollars was generally stable. Although Chinese governmental policies were introduced in 1996 to reduce restrictions on the convertibility of the Renminbi into foreign currency for current account items, conversion of the Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of the State Administration of Foreign Exchange ("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 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. 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 the trading against the Renminbi on the following working day. 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. PBOC authorized the China Foreign Exchange Trading Centre, effective since January 4, 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the following business day. The International Monetary Fund announced on September 30, 2016 that, effective October 1, 2016, the Renminbi will be added to its Special Drawing Rights currency basket. The PRC government has since made and in the future may make further adjustments to the exchange rate system.

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

Period	Noon Buying Rate			
	Low	Average ⁽¹⁾	High	Period End
		(RMB per US\$1.00)		
2012	6.2221	6.2990	6.3879	6.2301
2013	6.0537	6.1412	6.2438	6.0537
2014	6.0402	6.1704	6.2591	6.2046
2015	6.1870	6.2869	6.4896	6.4778
2016	6.4480	6.6400	6.9580	6.9430
2017				
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	6.4773	6.5690	6.6591	6.6533
October	6.5712	6.6254	6.6533	6.6328
November	6.5967	6.6200	6.6385	6.6090
December	6.5063	6.5932	6.6210	6.5063

Note:

(1) For yearly data, determined by averaging the month-end rates during the relevant year. For monthly data, determined by averaging the daily rates during the relevant month.

Hong Kong

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

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

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

Period	Noon Buying Rate			
	Low	Average ⁽¹⁾	High	Period End
		(HK\$ per US\$1.00)		
2012	7.7493	7.7556	7.7699	7.7507
2013	7.7503	7.7565	7.7654	7.7539
2014	7.7495	7.7554	7.7669	7.7531
2015	7.7495	7.7519	7.7686	7.7507
2016	7.7505	7.7620	7.8270	7.7534
2017				
June	7.7908	7.7984	7.8055	7.8055
July	7.8034	7.8091	7.8128	7.8100
August	7.8121	7.8127	7.8267	7.8267
September	7.7995	7.8127	7.8256	7.8110
October	7.7996	7.8044	7.8106	7.8015
November	7.7955	7.8052	7.8118	7.8093
December	7.8050	7.8128	7.8228	7.8128

Note:

(1) For yearly data, determined by averaging the month-end rates during the relevant year. For monthly data, determined by averaging the daily rates during the relevant month.

Presentation of financial information

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), which differ in certain material respects from generally accepted accounting principles in other jurisdictions. Our reporting currency is the Renminbi. See “Risk factors—Risks relating to the Notes—There may be less publicly available information about us than is available in certain other jurisdictions.”

Glossary of technical terms

“commodity properties”	residential properties, commercial properties and other buildings that are developed by property developers for the purposes of sale or lease after their completion.
“GFA”	gross floor area.
“land grant contract” ...	an agreement between a property developer and a PRC land authority in respect of the grant of the state-owned land use rights of a parcel of land to such property developer.
“land use rights certificate”	certificate issued by a local property and land resources bureau with respect to the land use rights.
“land use rights transfer agreement”	an agreement in respect of the transfer of the land use rights of a parcel of land by the previous grantee of the land use rights in the secondary market.
“LAT”	land appreciation tax.
“pre-sale”	sales of properties prior to the completion of their construction, after the satisfaction of certain conditions under PRC laws and regulations.
“sq.km.”	square kilometer(s).
“sq.m.”	square meter(s).

Summary

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

Overview

We are one of the leading integrated property developers in the PRC, with substantially all of our assets and operations based in the PRC. Since the commencement of our property development activities in 1997, we have benefited from, and we expect to continue to benefit from, the growth in the property sector associated with the economic development in the PRC, particularly in Guangdong Province, which is one of the most affluent provinces and fastest growing economies in the PRC. Our primary business has been the development of large-scale residential community projects and the sale of various types of properties, including townhouses, apartment buildings, parking spaces and retail shops. The majority of our products are targeted towards end-user customers. As an integrated property developer, our lines of business also include construction, installation, fitting and decoration as well as property management. Our residential home projects are generally located in the suburban areas of first-tier cities and in the newly urbanized town centers of second- and third-tier cities. In December 2011 and October 2013, we expanded our operations into Malaysia and Australia, respectively. During the first quarter of 2017, we started construction of our first project in Indonesia.

As of June 30, 2017, we had 965 projects at various stages of development. Of these projects, 314 were located in Guangdong Province: 41 in Guangzhou City, 41 in Dongguan City, 34 in Foshan City, 25 in Jiangmen City, 40 in Huizhou City, 16 in Zhaoqing City, 14 in Meizhou City, 17 in Zhongshan City and the remaining in various other cities. We also had 651 projects located outside Guangdong Province, spanning 21 provinces, three autonomous regions, four municipalities in the PRC as well as one project in the State of Selangor, Malaysia, three projects in the State of Johor, Malaysia, one project in Bali, Indonesia and one project in Sydney, Australia.

As of June 30, 2017, our projects had an aggregate saleable completed GFA of approximately 106,851,654 sq.m. We had an aggregate saleable GFA under development of approximately 88,302,841 sq.m. and an aggregate saleable GFA of approximately 85,597,334 sq.m. relating to properties held for future development as of the same date. We have obtained land use rights certificates, development and operation rights or land title in respect of the completed GFA, GFA under development and GFA held for future development. In addition, as of June 30, 2017, we had entered into land grant contracts or sale and purchase agreements in respect of land located in 93 cities in the PRC with an aggregate site area of approximately 18,418,270 sq.m. and an aggregate expected GFA of approximately 35,358,025 sq.m. for future development.

We also develop hotels to complement our residential properties. Most of these hotels are located in our large-scale residential community projects, which we believe have added value to such residential projects and enhanced our brand recognition. As of June 30, 2017, we had developed and were operating eight five-star hotels and two four-star hotels, 39 hotels which were developed

in accordance with the five-star rating standard set forth in the “Star-Rating Standard for Tourist Hotels” (旅遊飯店星級的劃分與評定) issued by the PRC National Tourism Administration and four hotels which were developed in accordance with the four-star standard of the “Star-Rating Standard for Tourist Hotels.” In addition, we had seven hotels under construction in accordance with the five-star rating standard and two hotel under construction in accordance with the four-star rating standard set forth in the “Star-Rating Standard for Tourist Hotels.”

For the years ended December 31, 2014, 2015, 2016 and the six months ended June 30, 2017, our total revenue was RMB84,548.8 million, RMB113,222.6 million, RMB153,087.0 million (US\$22,581.5 million) and RMB77,737.8 million (US\$11,466.9 million), respectively, and our EBITDA was RMB17,174.9 million, RMB15,860.6 million, RMB21,949.2 million (US\$3,237.7 million) and RMB12,836.2 million (US\$1,893.4 million), respectively.

Our shares have been listed on the Hong Kong Stock Exchange since April 20, 2007 under stock code 2007.

Competitive strengths

We are one of the largest property developers in the PRC with one of the largest, geographically diversified, and low-cost land bank

As of June 30, 2017, we had an aggregate GFA under development and for future development in China of approximately 85,107,133 sq.m. for which we have obtained all the relevant land use rights certificates or development and operation rights or land title, spanning 21 provinces, three autonomous regions and four provincial level municipalities. In addition, as of June 30, 2017, we had entered into land grant contracts in respect of land in China with an aggregate site area of approximately 18,418,270 sq.m. for which we have applied for or were in the process of applying for land use rights certificates in 93 cities in China, with an aggregate expected GFA of approximately 35,358,025 sq.m. for future development. We expect that these new acquisitions will further increase the value and size of our land bank when we obtain the land use rights certificates.

We adopt a disciplined approach to land acquisition and development. We undertake market research and analysis as well as budget and financing planning prior to a land acquisition, which we believe enables us to exercise effective cost control. In addition, we continue to seek opportunities to acquire and develop land in close proximity to our existing mature projects. We believe such in-fill developments will lower potential execution risks given our experience with the local markets, service providers and target customers. For the three years ended December 31, 2014, 2015, 2016 and the six months ended June 30, 2017, we estimate that our average unit land cost based on GFA was approximately 10% to 20% of our average unit selling price. We believe our low-cost land bank not only supports our future profitability but also gives us greater flexibility to diversify our product portfolio, to cater to a broader customer base, and to respond more effectively to changing market conditions.

We have an established business model which we believe has been successfully replicated in the markets where we operate

We focus on developing large-scale residential communities in the suburban areas of first-tier cities as well as the newly urbanized town centers of second- and third-tier cities in the PRC

where we believe have high-growth potential. We proactively seek to enhance the value of our properties by creating a better living environment through the provision of comprehensive community facilities and premium services in our master-planned communities. Our business model leverages on China's economic growth, increasing urbanization and rising standards of living. We believe that we have aligned our business development objectives with those of local governments, as our large-scale township developments raise the living standards of the local population and help improve the business environment of the local economies.

Over the last decade, we have successfully replicated our business model in 21 cities in Guangdong Province, with a total of 314 projects having an aggregate expected GFA of 120,230,498 sq.m. as of June 30, 2017. Since 2006, we have also implemented our business model outside Guangdong Province, with a total of 645 projects having an aggregate expected GFA of 193,246,688 sq.m. outside Guangdong Province in the PRC, and with four projects in Malaysia, one project in Indonesia and one project in Australia having a total expected GFA of 2,632,668 sq.m. as of June 30, 2017. We believe the success of Country Garden—Galaxy Palace, Country Garden—Phoenix City (Jurong), Country Garden—Ten Miles Golden Beach and Country Garden—Golden Beach, in particular, demonstrates our ability to replicate our business model and capitalize on our strong brand name in other provinces in China.

Our standardized operations enable us to provide high-quality and competitively priced products to our customers and to achieve quick asset turnover and attractive margins

We are one of the largest PRC property developers focusing on developing large-scale, multi-phase suburban residential communities in the PRC. We generally standardize principal features of our operations, such as land acquisition, project planning and design, procurement of raw materials, selection of contractors, sales and marketing and property management, which we believe enables us to:

- achieve economies of scale and increase operating efficiency through pooling internal resources, thereby helping to further improve our profit margins;
- ensure consistent product quality;
- strengthen our bargaining power with suppliers and contractors to obtain good quality supplies and services at relatively low costs, which help increase our pricing flexibility;
- smoothen project execution to achieve quick asset turnover; and
- respond rapidly to changes in market environment.

We believe that a combination of our strong brand recognition, high quality product mix and competitive pricing model has enabled us to pre-sell a substantial portion of the properties in our projects.

We maintain a robust liquidity position and have a strong credit profile

We actively manage our liquidity position by taking into account our development plans, capital needs and available cash and financing options. As of December 31, 2014, 2015, 2016 and June 30, 2017, our cash and cash equivalents amounted to RMB18.8 billion, RMB36.2 billion,

RMB84.6 billion (US\$12.5 billion) and RMB110.1 billion (US\$16.2 billion), respectively. We believe our quick asset turnover model has enabled our projects to generate positive cash flow in a relatively short period after commencement of development to support further developments.

We believe we have developed a strong credit profile over the years relative to our peers and have become a preferred customer of a number of major commercial banks in the PRC. We also have access to the international capital markets through debt, equity and equity-linked offerings. While we have a strong credit profile, we closely monitor our leverage ratio with a view to maintaining a healthy capital structure.

We have a strong brand in Guangdong Province with increasing recognition nationwide

We believe our brand name “Country Garden” (碧桂園), as well as our guiding motto, “Country Garden—Giving you a five-star home” (碧桂園 — 給您一個五星級的家), have strong market recognition in Guangdong Province. We believe this market recognition is a result of our high quality products and services as we aim to provide our customers with not only pleasant and comfortable homes in a clean and safe environment, but also higher living standards supported by comprehensive community facilities and services such as restaurants and catering, shopping, sports and leisure, transportation, education and domestic assistance. This market recognition has helped us to achieve our leading position in the property market in Guangdong Province and to expand our operations into other PRC provinces. Since 2006, we have gradually expanded our operations into 21 provinces, three autonomous regions and four provincial level municipalities outside Guangdong in the PRC, and we believe we will receive increasing brand recognition in those markets. In 2006, we were one of the first two brands that were recognized by SAIC as “China’s Well-Known Trademarks” in the property sector.

We aim to strengthen the confidence and trust of our customers in our products and services, and to secure repeat customers and referrals for us, through an emphasis on quality property management and post-sales services. We believe that our strong financial performance demonstrates the trust that we have built with our customers and the recognition of our brand name and the quality of our products.

We have a highly effective management structure, experienced management team and professional workforce

We believe we have a highly effective management structure. Our headquarters in Guangdong Province vertically manages the principal functions of our operations, including land acquisitions, project design, human resources, financing planning and raw material procurement. As we expand into markets outside Guangdong, we have delegated certain functions such as project management and marketing to our project companies to facilitate smooth project execution, thereby enabling them to cater to local characteristics, shorten development cycle and quickly respond to changes in local market conditions.

Our senior management team has extensive industry knowledge, management skills and operating experience. Most of our management have been with us since our inception. In particular, Yeung Kwok Keung, one of our co-founders, has remained with our Company and has focused on our property development business since 1997. We believe management’s interest is aligned with our interest given their substantial shareholdings in our Company. As of the date of

this offering memorandum, our senior management (principally composed of our directors) in aggregate held an approximate 57.88% interest in our Company (excluding underlying shares).

Business strategies

Continue to focus on core property development business with a well balanced mix of property developments within and outside Guangdong Province

We intend to continue to grow our core property development business. We will actively look for suitable opportunities to develop large-scale residential communities in suburban areas of first-tier cities in the PRC as well as attractive opportunities in the newly urbanized town centers of second- and third-tier cities in the PRC where we believe have promising economic growth potential. We believe this strategy is not only in line with China's urbanization trend of expanding existing urban boundaries of major cities and creating new urban clusters around second- and third-tier cities, but also complements our successful formula of controlling costs through our low-cost land bank, large-scale production and quick asset turnover. We will also continue to selectively look into opportunities outside of China as opportunities arise.

Since 2006, we have gradually expanded our operations outside Guangdong Province into 21 other provinces, three autonomous regions and four provincial level municipalities in China, as well as into Malaysia, Indonesia and Australia. We believe our geographical diversification efforts have provided us with a well balanced mix of property developments within and outside Guangdong Province in the PRC. Guangdong Province, which is one of the most affluent provinces and fastest growing economies in China, will remain our principal market. Guangdong Province recorded a GDP per capita of approximately RMB57,503 in 2016, which is higher than the national average in 2016. We intend to continue to leverage our local knowledge and market reputation in Guangdong Province to further grow our business there. At the same time, we will continue to develop our existing projects in markets outside Guangdong Province, which have seen increased average selling prices over the years. Where suitable opportunities arise, we will also acquire more land and enter into new markets with high growth potential, within or outside the PRC. For example, we have expanded into and have four projects in Malaysia, one project in Indonesia and one project in Australia as of June 30, 2017.

We also intend to continue to develop high quality hotels in our large residential communities, as we believe they enhance the value and attractiveness of our residential community projects. We believe this strategy also improves our competitiveness during the land tender process, as high quality hotels are seen by local governments of second- and third-tier cities in the PRC as an important feature to attract visitors and improve the commercial appeal of the environment. We may consider engaging, and are currently in discussions with, certain international management firms to manage some of our hotels to further enhance the value of our hotel properties.

Continue to focus on developing properties having an attractive value-to-price ratio

We intend to continue to focus on our strategy of providing our customers with high-value properties at competitive prices. We will continue to leverage on our expertise and industry experience to develop large-scale integrated residential communities featuring value-added facilities and services that cater to a broad end user driven customer base. Our facilities include clubhouses, hotels, supermarkets, schools, clinics, sports and recreational facilities as well as food

and beverage outlets, and our services include childcare, domestic assistance, property management, security and shuttle bus services for residents both within the projects as well as from projects to city centers. We endeavor to develop and refine our product design to accommodate changing market conditions and consumer preference. We will also encourage creativity and innovation in our product design through collaboration between our in-house experts and third-party professionals.

Maintain prudent financial management policies

We will continue to closely monitor our capital and cash positions, gauge our development scale and time our land acquisition and development schedule accordingly. We have budget and financing planning and cash management at the project level as well as the group level. We will continue to carefully manage our development cost for each project during the course of its development, with an emphasis on cost reduction and cost efficiency. We will actively manage our sales and pre-sales to ensure adequate cash flow for our ongoing capital requirements. We will also remain disciplined in our capital commitments and seek to maintain a balanced capital structure.

Further strengthen our leading position and brand name recognition nationwide

We plan to further strengthen our leading position and our “Country Garden” brand name recognition in Guangdong Province and across China. To distinguish ourselves from our competitors, we plan to continue to promote the “five-star home” motto and apply this to the services offered to our existing and prospective customers to improve the living environment of our customers. We will continue to encourage our existing customers to refer potential purchasers to us through incentive schemes such as waiving property management fees.

Enhance effective internal management and controls

We intend to continue to adopt the best practices and standards in the industry for corporate governance and internal controls, drawing on senior management’s expertise and experience to facilitate our operations and expansion. We intend to further streamline our internal management functions by clearly defining the responsibilities of each operating unit to ensure orderly and efficient operations and rapid responses to changes in market conditions.

We will continue to incentivize our management and employees and seek to attract and retain talent through a competitive remuneration package. We will continue to provide our employees with a variety of training and development programs to assist in their career development. We will also actively recruit new talent to optimize our human resources and enhance the productivity and competitiveness of our workforce.

Recent Developments

Issuance of the 2022 Notes and the November 2018 Notes

On July 25, 2017, we issued the 2022 Notes in an aggregate principal amount of US\$600 million due 2022. The 2022 Notes bear an interest rate of 4.75%. On November 22, 2017, we issued the November 2018 Notes in an aggregate principal amount of US\$500 million due 2018. The

November 2018 Notes bear an interest rate of 3.975%. See “Description of other material indebtedness—2022 Notes” and “Description of other material indebtedness—November 2018 Notes.”

Constituent Stock in the Hang Seng Index

Our Group has been included as a constituent stock in the Hang Seng Index. This has become effective from December 4, 2017.

Previously, the Group has become a constituent stock of MSCI Global Standard Indices on September 1, 2007, Hang Seng Composite Index and Hang Seng Mainland 100 on September 10, 2007, FTSE China 50 Index on September 14, 2016, and Hang Seng China (Hong Kong-listed) 25 Index on June 12, 2017.

Contracted Sales

For the twelve months ended December 31, 2017, our Group, together with our joint ventures and associates, achieved contracted sales of approximately RMB550.80 billion (US\$81.2 billion) with contracted sales GFA of approximately 58.4 million sq.m..⁽¹⁾

Land Acquisitions

For the nine months ended September 30, 2017, we have conducted land acquisitions in China for a total GFA of approximately 83.4 million sq.m. and an estimated GFA attributable to the Company (excluding the minority interest) of approximately 62.0 million sq.m. The total land premium for those land acquisitions amounted to approximately RMB205.8 billion (US\$29.6 million) with an average land price of RMB3,312 per sq.m. (US\$477 per sq.m.).

General Information

We were incorporated in the Cayman Islands on November 10, 2006, as an exempted company with limited liability, with the registered number 177345. Our principal place of business in the PRC is at Country Garden, Beijiao Town, Shunde District, Foshan, Guangdong, 528312, PRC. Our principal place of business in Hong Kong is at Suite 1702, 17/F., Dina House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong. Our registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Our websites are *bgycn*, *bgycn.com.cn*, *countrygarden.cn* and *countrygarden.com.cn*. Information contained on our websites does not constitute part of this offering memorandum.

Note:

(1) “Contracted sales” refer to purchase price of formal purchase contracts we entered into with purchasers of our properties. We compile contracted sales information (including contracted sales amounts, ASP and GFA) through our internal records, and such information has not been audited or reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong. As these sales and purchases contracts are subject to termination or variation under certain circumstances pursuant to their contractual terms, or subject to default by the relevant purchasers, they are not a guarantee of current or future contracted sales. Contracted sales information should in no event be treated as an indication of our revenue or profitability. Our subsequent revenue recognized from such contracted sales may be materially different from such contracted sales. Accordingly, contracted sales information contained in this offering memorandum should not be unduly relied upon as a measure or indication of our current or future operating performance.

The Offering

Terms used in this summary and not otherwise defined shall have the meanings given to them in “Description of the January 2023 Notes” and “Description of the January 2025 Notes.”

Issuer	Country Garden Holdings Company Limited (the “Company”).
Notes Offered	US\$250,000,000 aggregate principal amount of 4.750% Senior Notes due 2023 (the “January 2023 Notes”). US\$600,000,000 aggregate principal amount of 5.125% Senior Notes due 2025 (the “January 2025 Notes”).
Offering Price	100% of the principal amount of the January 2023 Notes and accrued interest, if any. 99.565% of the principal amount of the January 2025 Notes and accrued interest, if any.
Maturity Date	The January 2023 Notes will mature on January 17, 2023. The January 2025 Notes will mature on January 17, 2025.
Interest	The January 2023 Notes will bear interest from and including January 17, 2018 at the rate of 4.750% per annum, payable semi-annually in arrears. The January 2025 Notes will bear interest from and including January 17, 2018 at the rate of 5.125% per annum, payable semi-annually in arrears.
Interest Payment Dates	January 17 and June 17.
Ranking of the Notes . . .	The Notes are: <ul style="list-style-type: none">● general obligations of the Company;● senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;● at least <i>pari passu</i> in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);● guaranteed by the Subsidiary Guarantors on a senior basis, subject to the limitations described below under the caption “Description of the January 2023 Notes—The Subsidiary Guarantees”, “Description of the January 2025 Notes—The Subsidiary Guarantees” and in “Risk factors—Risks relating to the Subsidiary Guarantees and the Collateral;”● effectively subordinated to the other secured obligations of the Company and the Subsidiary Guarantors, to the extent of the value of the assets (other than the Collateral) serving as security therefor; and

- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

In addition, on the Original Issue Date, subject to the limitations described in “Risk factors—Risks relating to the Subsidiary Guarantees and the Collateral,” the Notes will be secured by a pledge of the Collateral as described below under the caption “Description of the January 2023 Notes—Security” and “Description of the January 2025 Notes—Security” and will:

- be entitled to a first priority lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement); and
- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

Subsidiary

Guarantees

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

A Subsidiary Guarantee may be released in certain circumstances. See “Description of the January 2023 Notes—The Subsidiary Guarantees—Release of the Subsidiary Guarantees” and “Description of the January 2025 Notes—The Subsidiary Guarantees—Release of the Subsidiary Guarantees.”

The initial Subsidiary Guarantors that will execute the Indentures on the Original Issue Date will be Smart World Development Holdings Ltd, Angel View International Limited, Boavista Investments Limited, Estonia Development Ltd, Falcon Investments Development Ltd, Impreza Group Limited, Infiniti Holdings Development Limited, United Gain Group Ltd, Wise Fame Group Ltd, and Country Garden (Hong Kong) Development Company Limited. These Subsidiary Guarantors consist of all of the Company’s Restricted Subsidiaries other than the Non-Guarantor Subsidiaries (defined below). All of the Subsidiary Guarantors are holding companies that do not have significant operations. Other than the initial Subsidiary Guarantors, none of the Company’s other Restricted Subsidiaries organized outside of the PRC and the Unrestricted Subsidiaries (as defined in “Description of the January 2023 Notes” and “Description of the January 2025 Notes) and the Restricted Subsidiaries organized under the laws of the PRC (collectively, the “PRC Non-Guarantor Subsidiaries”) will be a Subsidiary Guarantor on the Original Issue Date. See “Risk factors—Risks relating to the Subsidiary Guarantees and the Collateral—Our Initial Subsidiary Guarantors do not currently have significant operations.”

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC and Exempted Subsidiaries) to guarantee the payment of the Notes as a Subsidiary Guarantor. Notwithstanding the foregoing, the Company may elect to have any future Restricted Subsidiary organized outside the PRC not provide a Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted 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) that are not Subsidiary Guarantors do not account for more than 20% of the Total Assets of the Company.

Any future Restricted Subsidiary, as defined under “Description of the January 2023 Notes—Definitions” and “Description of the January 2025 Notes—Definitions” (other than subsidiaries organized under the laws of the PRC), will provide a guarantee of the Notes promptly after it becomes a Restricted Subsidiary. In the case of a Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may (i) release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, (ii) discharge the pledge of the Capital Stock granted by such Subsidiary Guarantor, and (iii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in such Subsidiary Guarantor, provided that after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries) that are not Subsidiary Guarantors (including the Subsidiary Guarantors whose Subsidiary Guarantees were released) do not account for more than 20% of the Total Assets of the Company.

Ranking of Subsidiary

Guarantees The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;

- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;

- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and

- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

In addition, subject to the limitations described in “Risk factors—Risks relating to the Subsidiary Guarantees and the Collateral,” the Subsidiary Guarantees of each Subsidiary Guarantor Pledgor:

- will be entitled to a first ranking security interest in the Collateral (subject to any Permitted Liens and the Intercreditor Agreement) pledged by such Subsidiary Guarantor Pledgor, as described below under the caption “Description of the January 2023 Notes—Security” and “Description of the January 2025 Notes—Security;” and
- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law). See “Risk factors—Risks relating to the Subsidiary Guarantees and the Collateral.”

Collateral The Company has pledged, or caused the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Capital Stock of all of the initial Subsidiary Guarantors (the “Collateral”) on a first priority basis to The Bank of New York Mellon as collateral agent (for the benefit of the trustee for the benefit of the holders of the 2023 Notes (the “2023 Trustee”), the trustee for the benefit of the holders of the 2021 Notes (the “2021 Trustee”), the trustee for the holder of the Private Notes (the “Private Notes Trustee”), the trustee for the benefit of the holders of the 2020 Notes (the “2020 Trustee”), the trustee for the benefit of the holders of the September 2023 Notes (the “September 2023 Trustee”), the trustee for the benefit of the holders of the 2026 Notes (the “2026 Trustee”), the trustee for the benefit of the holders of the 2022 Notes (the “2022 Trustee”), the trustee for the benefit of the holders of the November 2018 Notes (the “November 2018 Notes”), the facility agent for the benefit of the lenders of the 2014 Club Loan (the “2014 Facility Agent”), the facility agent for the benefit of the lenders of the 2015 Club Loan (the “2015 Facility Agent”), the facility agent for the benefit of the lenders of the 2016 Club Loan (the “2016 Facility Agent”), the facility agent for the benefit of the lenders of the 2017 Club Loan (the “2017 Facility Agent”), Goldman Sachs International as beneficiary under the GS Guarantee and as Party A under the related hedging documents (“Goldman Sachs International”), Deutsche Bank AG as beneficiary under the DB Guarantee and as Party A under the related hedging documents and each holder of *pari passu* secured indebtedness permitted under the 2023 Indenture, the 2021 Indenture, the Private Notes Indenture, the 2020 Indenture, the September 2023 Indenture, the 2026 Indenture, the 2022 Indenture, the November 2018 Indenture, the 2014 Credit

Agreement, the 2015 Facility Agreement, the 2016 Facility Agreement, the 2017 Facility Agreement, the GS Hedging Documents and the DB Hedging Documents in order to secure the obligations of the Company and the Subsidiary Guarantor Pledgors under the 2023 Indenture, the 2021 Indenture, the Private Notes Indenture, the 2020 Indenture, the September 2023 Indenture, the 2026 Indenture, the 2022 Indenture, the 2014 Credit Agreement, the 2015 Facility Agreement, the GS Hedging Documents, the DB Hedging Documents, the 2016 Facility Agreement and the 2017 Facility Agreement.

On the Original Issue Date, the Collateral will secure on a *pari passu* basis the obligations of the Company under (i) the 2023 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2023 Indenture, (ii) the 2021 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2021 Indenture, (iii) the Private Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the Private Notes Indenture, (iv) the 2020 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2020 Indenture, (v) the September 2023 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the September 2023 Indenture, (vi) the 2026 Notes and the subsidiary guarantee provided by the Subsidiary Guarantor Pledgors under the 2026 Indenture, (vii) the 2022 Notes and the subsidiary guarantee provided by the Subsidiary Guarantor Pledgors under the 2022 Indenture, (viii) the November 2018 Notes and the subsidiary guarantee provided by the Subsidiary Guarantor Pledgors under the November 2018 Indenture, (ix) the 2014 Club Loan and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2014 Credit Agreement, (x) the 2015 Club Loan and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2015 Facility Agreement, (xi) the 2016 Club Loan and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2016 Facility Agreement, (xii) the 2017 Club Loan and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2017 Facility Agreement, (xiii) the GS Hedging Obligations, (xiv) the DB Hedging Obligations and (xv) the Notes and the Subsidiary Guarantees provided by the Subsidiary Guarantor Pledgors under the Indenture. The Collateral securing the Notes and the Subsidiary Guarantees may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each Subsidiary Guarantor Pledgor may incur additional Permitted *Pari Passu* Secured Indebtedness which would be secured by the Collateral on a *pari passu* basis with the Notes and the Subsidiary Guarantees, subject to the Intercreditor Agreement. See “Description of the January 2023 Notes—Security—Intercreditor Agreement”, “Description of the January 2025 Notes—Security Intercreditor

Agreement”, “Description of the January 2023 Notes—Security” and “Description of the January 2025 Notes—Security.”

Intercreditor

Agreement The Company, the 2023 Trustee on behalf of the holders of the 2023 Notes, the 2021 Trustee on behalf of the holders of the 2021 Notes, the Private Notes Trustee on behalf of the holders of the Private Notes, the 2020 Trustee on behalf of the holders of the 2020 Notes, the September 2023 Trustee on behalf of the holders of the September 2023 Notes, the 2026 Trustee on behalf of the holders of the 2026 Notes, the 2022 Trustee on behalf of the holders of the 2022 Notes, the November 2018 Trustee on behalf of the holders of the November 2018 Notes, the 2014 Facility Agent on behalf of the lenders of the 2014 Club Loan, the 2015 Facility Agent on behalf of the lenders of the 2015 Club Loan, the 2016 Facility Agent on behalf of the lenders of the 2016 Club Loan, the 2017 Facility Agent on behalf of the lenders of the 2017 Club Loan, Goldman Sachs International, Deutsche Bank AG and The Bank of New York Mellon solely in its capacity as collateral agent and intercreditor agent (in each case referred to herein as the “Intercreditor/Collateral Agent”) are each parties to an intercreditor agreement dated September 10, 2009 (as supplemented on each of September 23, 2009, April 22, 2010, August 11, 2010, February 23, 2011, January 10, 2013, October 4, 2013, June 5, 2014, December 17, 2014, December 18, 2014, March 9, 2015, July 31, 2015, June 30, 2016, September 28, 2016, December 15, 2016, March 16, 2017, May 9, 2017, July 25, 2017, November 6, 2017 and November 22, 2017) (the “Existing Intercreditor Agreement”). On or prior to the Original Issue Date, the Trustee on behalf of the holders of the Notes will have entered into a supplement to the Intercreditor Agreement with the parties to the Existing Intercreditor Agreement to supplement and amend the Existing Intercreditor Agreement (the Existing Intercreditor Agreement as supplemented and amended from time to time pursuant to the terms thereof, the “Intercreditor Agreement”).

The Intercreditor Agreement will provide that enforcement actions in respect of the Collateral may be taken by the Intercreditor/Collateral Agent following an event of default under the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes, the 2014 Club Loan, the 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan, the GS Hedging Obligations, the DB Hedging Obligations or the Notes.

Use of Proceeds We intend to use the net proceeds from this offering for the early redemption of the 2023 Notes and for general working capital purposes.

Optional Redemption . . . January 2023 Notes:

At any time and from time to time on or after January 17, 2021, the Company may redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to (but not including) the redemption date if redeemed during the twelve month period beginning on January 17 of each of the years indicated below.

Period	Redemption Price
2021	102.3750%
2022	101.1875%

At any time prior to January 17, 2021, the Company may at its option redeem the January 2023 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the January 2023 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 January 2023 Notes—Optional Redemption."

At any time and from time to time prior to January 17, 2021, the Company may redeem up to 35% of the aggregate principal amount of the January 2023 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 104.750% of the principal amount of the January 2023 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 January 2023 Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

January 2025 Notes:

At any time and from time to time on or after January 17, 2022, the Company may redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to (but not including) the redemption date if redeemed during the twelve month period beginning on January 17 of each of the years indicated below.

Period	Redemption Price
2022	102.56250%
2023	101.28125%
2024 and thereafter	100.00000%

At any time prior to January 17, 2022, the Company may at its option redeem the January 2025 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the January 2025 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 January 2025 Notes—Optional Redemption."

At any time and from time to time prior to January 17, 2022, the Company may redeem up to 35% of the aggregate principal amount of the January 2025 Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 105.125% of the principal amount of the January 2025 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 January 2025 Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

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

Upon the occurrence of a Change of Control Triggering Event, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to the repurchase date.

**Redemption for
Taxation Reasons**

Subject to certain exceptions and as more fully described herein, the Company may redeem the Notes, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption, if the Company or a Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws or certain other circumstances. See "Description of the January 2023 Notes—Redemption for taxation reasons" and "Description of the January 2025 Notes—Redemption for taxation reasons."

Covenants

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

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on its capital stock or purchase or redeem capital stock;

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

These covenants are subject to a number of important qualifications and exceptions described in "Description of the January 2023 Notes—Certain covenants" and "Description of the January 2025 Notes—Certain covenants."

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

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

Book-entry Only The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of their participants. For a description of certain factors relating to clearance and settlement, see "Description of the January 2023 Notes—Book-entry; delivery and form" and "Description of the January 2025 Notes—Book-entry; delivery and form."

Delivery of the Notes . . . The Company expects to make delivery of the Notes, against payment in same-day funds on or about January 17, 2018 which the Company expects will be the fifth business day following the date of this offering memorandum referred to as "T+5." You should note that initial trading of the Notes may be affected by the T+5 settlement. See "Plan of distribution."

Trustee Citicorp International Limited.

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

Registrar Citibank, N.A., London Branch.

Intercreditor Agent and Collateral Agent The Bank of New York Mellon.

Listings Applications have been made for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle for the listing and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Subsidiary Guarantors or any other subsidiary or associated company of the Issuer, the Notes or the Subsidiary Guarantees. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as the Notes are listed on the SGX-ST.

Governing Law The Notes, the Subsidiary Guarantees, the Indentures and the Intercreditor Agreement will be governed by and will be construed in accordance with the laws of the State of New York.

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

Security Codes

	ISIN	Common Code
January 2023 Notes	XS1751178499	XS1750118462
January 2025 Notes	175117849	175011846

Summary consolidated financial and other data

The following tables present our summary financial and other data. The summary financial data as of and for each of the fiscal years ended December 31, 2014, 2015 and 2016 (except for EBITDA data) is derived from our audited consolidated financial statements as of and for the years ended December 31, 2015 and 2016 and included elsewhere in this offering memorandum. The summary financial data as of and for each of the six months ended June 30, 2016 and 2017 (except for EBITDA data) is derived from our unaudited but reviewed interim condensed consolidated financial information as of and for the six months ended June 30, 2017 and included elsewhere in this offering memorandum. Our financial information has been prepared and presented in accordance with HKFRS, which differ in certain material respects from generally accepted accounting principles in other jurisdictions. The summary financial data below should be read in conjunction with “Management’s discussion and analysis of financial condition and results of operations” and the consolidated financial information and the related notes included elsewhere in this offering memorandum. The unaudited interim consolidated financial statements as of and for the six months ended June 30, 2017 should not be taken as an indication of the expected business, financial conditions and results of operations for the full year ending December 31, 2017. The Company’s financial results for any past period are not and should not be taken as an indication of the Company’s performance, financial position and results in future years.

Summary consolidated statement of comprehensive income information

(in millions, except percentages)	For the year ended December 31,				For the six months ended June 30,		
	2014	2015	2016	2016	2016	2017	2017
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(RMB)	(US\$)
Revenue	84,548.8	113,222.6	153,087.0	22,581.5	57,362.5	77,737.8	11,466.9
Cost of sales	(62,493.7)	(90,359.3)	(120,850.9)	(17,826.5)	(45,336.5)	(60,641.2)	(8,945.1)
Gross profit	22,055.1	22,863.3	32,236.1	4,755.1	12,026.0	17,096.5	2,521.9
Other income and gains—net	186.0	424.0	1,530.5	225.8	264.0	1,693.0	249.7
Gains arising from changes in fair value of and transfer to investment properties	1,880.0	809.8	711.6	105.0	360.6	159.5	23.5
Selling and marketing costs	(4,356.2)	(4,688.7)	(7,383.6)	(1,089.1)	(1,981.8)	(3,337.3)	(492.3)
Administrative expenses	(3,159.9)	(3,230.0)	(4,970.4)	(733.2)	(1,844.8)	(4,038.3)	(595.7)
Operating profit	16,605.0	16,178.4	22,124.2	3,263.5	8,824.0	11,573.3	1,707.2
Finance income	254.7	221.1	532.9	78.6	270.0	830.5	122.5
Finance costs	(450.3)	(1,510.6)	(1,628.2)	(240.2)	(263.5)	-	-
Finance costs—net	(195.6)	(1,289.5)	(1,095.3)	(161.6)	6.4	830.5	122.5
Share of results of joint ventures and associates	(40.3)	(55.8)	361.7	53.4	378.9	6.1	0.9
Profit before income tax	16,369.1	14,833.1	21,390.6	3,155.3	9,209.2	12,410.0	1,830.6
Income tax expenses	(5,757.2)	(5,121.4)	(7,727.3)	(1,139.8)	(3,004.3)	(4,036.6)	(595.4)
Profit for the year	10,611.9	9,711.7	13,663.2	2,015.4	6,204.9	8,373.4	1,235.1
Other comprehensive income:							
Items that will not be reclassified subsequently to profit or loss:							
—Revaluation gains on properties upon transfer from property, plant and equipment and land use rights to investment properties, net of tax ⁽¹⁾	1,464.2	-	-	-	-	-	-
—Change in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	45.9	7.3	4.0	32.5	4.8
Items that may be reclassified to profit or loss:							
—Change in fair value of available-for-sale financial assets, net of tax	2.3	4.7	-	-	-	-	-
—Deferred gains on cash flow hedges, net of tax	-	-	90.0	13.3	25.5	(59.6)	(8.8)
—Deferred costs of hedging, net of tax	-	-	(295.9)	(43.6)	(300.3)	416.3	61.4
—Currency translation differences	6.5	(899.0)	299.5	44.2	589.0	(174.8)	(25.8)
Other comprehensive income/(loss) for the year, net of tax	1,473.0	(894.3)	139.5	20.6	318.1	214.3	31.6
Total comprehensive income for the year, net of tax	12,084.9	8,817.4	13,802.7	2,036.0	6,523.0	8,587.7	1,266.8
Profit attributable to:							
—Owners of the Company	10,229.2	9,276.5	11,516.8	1,698.8	5,389.6	7,501.4	1,106.5
—Non-controlling interests	382.7	435.2	2,146.4	316.6	815.3	872.0	128.6
	10,611.9	9,711.7	13,663.2	2,015.4	6,204.9	8,373.4	1,235.1
Total comprehensive income attributable to:							
Owners of the Company	11,700.2	8,453.4	11,585.2	1,708.9	5,755.8	7,777.0	1,147.2
Non-controlling interests	384.7	364.0	2,217.5	327.1	767.2	810.8	119.6
	12,084.9	8,817.4	13,802.7	2,036.0	6,523.0	8,587.7	1,266.8
Dividends	3,001.9	2,912.2	3,733.9	550.8	1,556.6	3,205.9	472.9
Other Financial Data (unaudited)							
EBITDA ⁽¹⁾	17,174.9	15,860.6	21,949.2	3,237.7	9,252.2	12,836.2	1,893.4
EBITDA Margin ⁽²⁾	20.3%	14.0%	14.3%	14.3%	16.1%	16.5%	16.5%

Notes:

(1) EBITDA for any period consists of operating profit plus interest income, depreciation expenses of property, plant and equipment and investment property and amortization of land use rights and intangible assets, net of exchange gains or losses. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as 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 service debt and pay taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See "Management's discussion and analysis of financial condition and results of operations—Non-GAAP financial measures" for a reconciliation of our profit for the year under HKFRS to our definition of EBITDA. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indentures governing the Notes. See "Description of the Notes—Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indentures governing the Notes.

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

Summary consolidated statement of financial position information

(in millions)	As of December 31,				As of June 30,	
	2014	2015	2016	2016	2017	2017
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(US\$)
Non-current assets						
Property, plant and equipment	18,642.5	20,019.8	20,877.0	3,079.5	21,798.7	3,215.5
Investment properties	7,035.6	8,686.3	9,773.4	1,441.7	9,374.9	1,382.9
Intangible assets	29.2	121.5	239.4	35.3	301.4	44.5
Land use rights	2,034.5	2,052.2	2,536.5	374.2	2,518.5	371.5
Properties under development	44,638.7	52,727.1	52,342.4	7,720.9	60,529.9	8,928.6
Investment in joint ventures	21.4	803.9	7,311.2	1,078.5	9,319.1	1,374.6
Investment in associates	34.5	884.5	3,873.3	571.3	6,078.3	896.6
Financial assets at fair value through other comprehensive income	-	-	870.7	128.4	861.1	127.0
Available-for-sale financial assets	208.7	215.0	-	-	-	-
Derivative financial instruments	-	-	1,034.4	152.6	691.6	102.0
Trade and other receivables	-	643.0	55.5	8.2	6,478.7	955.7
Deferred income tax assets	2,770.1	3,786.9	7,822.3	1,153.9	10,802.8	1,593.5
	75,415.2	89,940.2	106,736.1	15,744.4	128,754.9	18,992.4
Current assets						
Properties under development	105,994.0	135,107.0	216,383.3	31,918.2	295,776.8	43,629.4
Completed properties held for sale	23,203.2	34,114.1	30,885.3	4,555.8	20,704.8	3,054.1
Inventories	2,095.1	1,978.4	2,203.7	325.1	2,641.8	389.7
Trade and other receivables	25,370.9	42,242.1	117,321.7	17,305.9	183,059.4	27,002.7
Contract Assets	-	-	-	-	9,932.2	1,465.1
Prepaid taxes	8,739.7	9,490.4	14,042.3	2,071.3	25,111.7	3,704.2
Restricted cash	8,453.5	11,637.1	11,844.0	1,747.1	10,016.5	1,477.5
Cash and cash equivalents	18,760.6	36,240.8	84,646.9	12,486.1	110,113.1	16,242.5
Financial assets at fair value through profit or loss	-	1,188.1	7,321.2	1,079.9	8,517.3	1,256.4
Derivative financial instruments	-	18.0	187.1	27.6	39.3	5.8
	192,617.0	272,016.1	484,835.5	71,517.0	665,912.8	98,227.4
Current liabilities						
Advanced proceeds received from customers	91,792.5	96,516.1	192,408.9	28,381.8	-	-
Contract Liabilities	-	-	-	-	270,042.7	39,833.4
Trade and other payables	40,925.0	73,385.2	151,789.3	22,390.1	234,723.3	34,623.5
Receipts under securitization arrangements	-	-	7,043.4	1,039.0	6,642.5	979.8
Current income tax liabilities	8,976.1	8,905.4	15,310.4	2,258.4	16,892.0	2,491.7
Senior notes	2,538.8	-	-	-	469.0	69.2
Corporate bonds	-	-	8,207.5	1,210.7	13,311.4	1,963.5
Dividend Payable	-	-	-	-	2,176.7	321.1
Bank and other borrowings	12,390.7	22,778.0	30,512.7	4,500.9	26,847.8	3,960.3
Derivative financial instruments	-	10.2	41.8	6.2	97.5	14.4
	156,623.0	201,594.9	405,314.0	59,787.0	571,203.0	84,256.9
Net current assets	35,994.0	70,421.2	79,521.5	11,730.0	94,709.8	13,970.4
Total assets less current liabilities	111,409.2	160,361.4	186,257.6	27,474.5	223,646.7	32,989.6
Non-current liabilities						
Senior notes	19,735.0	20,878.2	29,264.4	4,316.7	28,101.0	4,145.1
Corporate bonds	-	15,258.5	29,502.1	4,351.8	24,924.4	3,676.5
Bank and other borrowings	26,404.3	30,829.1	38,710.1	5,710.0	62,136.0	9,165.5
Deferred government grants	239.5	239.5	237.4	35.0	236.0	34.8
Deferred income tax liabilities	2,588.0	3,815.7	6,928.3	1,022.0	13,710.5	2,022.4
Derivative financial instruments	-	-	-	-	53.0	7.8
	48,966.8	71,021.0	104,642.4	15,435.6	129,161.0	19,052.3
Equity attributable to owners of the Company						
Share capital and premium	24,262.0	29,212.6	25,677.2	3,787.6	25,036.2	3,693.0
Other reserves	4,243.4	3,942.1	4,484.0	661.4	4,921.4	725.9
Retained earnings	28,180.7	32,136.0	39,967.1	5,895.5	48,444.1	7,145.9
	56,686.2	65,290.7	70,128.4	10,344.5	78,401.7	11,564.9
Non-controlling interests	5,756.2	24,049.7	11,486.8	1,694.4	15,902.0	2,345.7
Total equity	62,442.4	89,340.4	81,615.2	12,038.9	94,303.7	13,910.5
Total equity and non-current liabilities	111,409.2	160,361.4	186,257.6	27,474.5	223,464.7	32,962.8

Risk factors

In addition to other information in this offering memorandum, you should carefully consider the following risk factors, together with all other information contained in this offering memorandum, before purchasing the Notes. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties of which we are not aware 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 occurs, our business, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Notes, and you could lose all or part of your investment.

Risks relating to our business

We are heavily dependent on the performance of the property market in the PRC, particularly in Guangdong Province, and may be affected by the performance of the property market in other places where we conduct our operations

Our business and prospects depend on the performance of the PRC property market. Any housing market downturn in China generally or in the regions where we have property developments could adversely affect our business, financial condition and results of operations. Our property developments currently are largely located in Guangdong Province. We established our business by developing private residential properties in Shunde District in 1997 and began expanding our project development activities to other locations in Guangdong Province in 1998. As of June 30, 2017, we had developed or were developing 314 projects in Guangdong Province and 645 projects outside Guangdong Province in the PRC. The projects in Guangdong Province and outside Guangdong Province in the PRC have an aggregate GFA (including completed properties, properties under development and properties for future development) of approximately 120,230,498 sq.m. and 193,246,688 sq.m., respectively. As of June 30, 2017, we also had one projects in the State of Selangor, Malaysia, three projects in the State of Johor, Malaysia, one project in Bali, Indonesia, and one project in Sydney, Australia, with an aggregate GFA of approximately 2,632,668 sq.m. Although we are pursuing further business opportunities in other locations, we intend to maintain and increase our market share in Guangdong Province.

As consumer spending changes due to changing economic conditions, we cannot assure you that property development and investment activities will continue to grow or that we will be able to benefit from future growth in the property market in Guangdong Province or the PRC. In addition, we cannot assure you that there will not be any over-supply of properties in the cities or regions where we have property projects. Any such over-supply or adverse developments in national and local economic conditions as measured by such factors as GDP growth (which has slowed down in recent years, with real GDP growth in the PRC slowing to 6.7% in 2016 from 10.6% in 2010), employment levels, job growth, consumer confidence, interest rates and population growth in the PRC, particularly in the regions where our projects are located, may reduce demand and depress prices for our products and services and have a material adverse effect on our business, financial condition and results of operations. In addition, recent industry reports on China's property market have projected decreasing sales volume and sales price in the near term, and such reports estimate that those decreases will negatively impact property developers and put downward pressure on their credit ratings. Demand for and prices of properties in the PRC are also directly affected by the macroeconomic control measures adopted

by the PRC government from time to time. Since 2011, the PRC government has taken measures to control inflation and slow the price increases in the property market. See “—Risks relating to the property sector in the PRC—The property industry in the PRC is subject to government regulations and policies, which could have the effect of slowing down the industry’s growth.” Government policies aimed at reducing local government and corporate debt levels could also reduce liquidity in the economy, which in turn may affect the property market. Any adverse development in the condition of the property market in the PRC, or in other places where we conduct our operations, could have a material adverse effect on our business, financial condition and results of operations.

Increasing competition in the PRC may adversely affect our business, financial condition and results of operations

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

The intensity of the competition among property developers in Guangdong Province and other parts of the PRC for land, financing, raw materials and skilled management and labor resources may result in increased cost of land acquisition and construction, a decrease in property prices and delays in the government approval process. An oversupply of properties available for sale could also depress the prices of the commodity properties we sell. Any of the above may adversely affect our business, financial condition and results of operations.

In addition, the property markets in Guangdong Province and elsewhere in the PRC are rapidly changing. If we cannot respond to changes in market conditions in Guangdong Province or elsewhere or changes in customer preferences more swiftly or more effectively than our competitors, our business, results of operations and financial condition could be adversely affected.

We may not have adequate funding resources to finance land acquisitions or property developments, or to service our financing obligations

The property development business is capital intensive. We finance our business primarily through a combination of internal funding, bank borrowings, capital markets financing (such as the offerings of the 2014 Notes, the 2017 Notes, the 2015 Notes, the 2018 Notes, the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes, our share placement in February 2012 and in April 2015 and our rights issue in October 2014) and pre-sales and sales proceeds. We have also entered into trust financing arrangements and a perpetual loan for funding requirements. See “Description of other material indebtedness.” Further, purchasers who choose to pay the purchase price in full without taking out a mortgage may not pay the full purchase price on time and this may affect our cash flow position. We also offer payment installment plans for our customers and may not collect the full purchase price upfront. We cannot assure you that we will have sufficient cash flow available for land acquisitions or property developments or that we will be able to achieve sufficient pre-sales and sales to fund land acquisitions or property developments. In addition, we cannot assure you that we will be able to secure external financing on terms acceptable to us or at all.

As of June 30, 2017, we had RMB162,432.1 million (US\$23,960.0 million) of outstanding borrowings (including bank and other borrowings, receipts under securitization arrangements, the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes and corporate bonds), of which RMB46,801.8 million (US\$6,903.6 million) were short-term borrowings (including the current portion of long-term bank and other borrowings, receipts under securitization arrangements and corporate bonds). Our total interest expense on bank and other borrowings, receipts under securitization arrangements, the Convertible Bonds, the 2014 Notes, the 2017 Notes, the 2015 Notes, the 2018 Notes, the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes and corporate bonds for the years ended December 31, 2014, 2015, 2016 and the six months ended June 30, 2017 was RMB4,879.4 million, RMB5,061.7 million, RMB6,876.8 million (US\$1,014.4 million) and RMB4,369.6 million (US\$644.6 million), respectively.

Our ability to arrange adequate financing for land acquisitions or property developments on terms that will allow us to earn reasonable returns depends on a number of factors that are beyond our control including, among other things, economic environment, financial market conditions and monetary policies of the governments. For example, the PRC government has in the past taken a variety of policy initiatives in the financial sector to tighten lending procedures for property developers including, among other things:

- forbidding PRC commercial banks from extending loans to property developers to finance land premiums;
- restricting PRC commercial banks from extending loans for the development of luxury residential properties;
- restricting the granting or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- restricting the granting or extension of revolving credit facilities to property developers that have a history of being included in land-related abuses, including misconduct related to changing the use of land, postponing construction or completion of projects or hoarding property;
- prohibiting commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans; and
- forbidding property developers from using borrowings obtained from any local banks to fund property developments outside that local region.

In addition, PBOC regulates the lending rates and reserve requirement ratios for commercial banks in the PRC. PBOC raised the benchmark one-year lending rate several times between 2004 and 2008. PBOC increased the reserve requirement ratio for commercial banks several times between 2006 and 2008 to curtail the overheating of the property sector. The reserve requirement refers to the amount of funds that banks must hold in reserve with PBOC against deposits made by their customers. After the commencement of the global economic slowdown in the second half of 2008, the PRC government adopted measures intended to stimulate economic development, including lowering benchmark lending rates and the reserve requirement ratios for commercial banks. However, PBOC increased the benchmark one-year lending rate and the reserve requirement ratios several times since 2010. In 2012, PBOC decreased both the one-year lending rate and the reserve requirement ratios twice. In April 2014, PBOC reduced the reserve

requirement ratios of rural commercial and rural co-operative banks. Increases in the bank reserve requirement ratios may negatively affect the amount of funds available to commercial banks in China to lend to businesses, including us. The benchmark one-year lending rate as of December 31, 2016 was 4.35%. The current reserve requirement ratio ranges from 15.0% to 16.5%. We cannot assure you that PBOC will not further raise lending rates or reserve requirement ratios in the future, or that our business, financial condition and results of operations would not be adversely affected as a result of these adjustments.

The fiscal and other measures adopted by the PRC government from time to time may limit our flexibility and ability to use bank loans to finance our property developments and therefore may require us to maintain a relatively high level of internally-sourced cash. In November 2009, the PRC government raised the minimum down payment to 50% of the total land premium and required the land premium to be fully paid within one year after the signing of a land contract, subject to limited exceptions. In March 2010, the PRC government further tightened this requirement by setting a minimum price for land transfers of at least 70% of the benchmark price for land in the surrounding locality and requiring a bidding deposit of at least 20% of the applicable minimum land transfer price. Additionally, a land grant contract must be entered into within 10 working days of closing and the 50% down payment (taking into account any deposits previously paid) paid within one month of signing the land grant contract, with the balance to be paid in full within one year of the contract date in accordance with provisions of such contract, subject to limited exceptions. In April 2017, the PRC government required that the examination system of land acquisition capital should be adopted by local authorities to ensure that property developers are acquiring land with internal funds. In April 2017, the PRC government required that the examination system of land acquisition capital should be adopted by local authorities to insure the property developers acquiring land with internal funds. These requirements may constrain our cash otherwise available for additional land acquisition and construction. We cannot assure you that we will have adequate resources to fund land acquisitions (including any unpaid land premiums for past acquisitions), or property developments, or to service our financing obligations, and our business and financial condition may be materially adversely affected. In addition, the increase in benchmark lending rates has led to higher interest rates for mortgage loans, which may depress demand in the property market in general.

If we are unable to make scheduled payments in connection with our debt and other fixed payment obligations as they become due, we may need to renegotiate the terms and conditions of such obligations or to obtain additional equity or debt financing. We cannot assure you that our renegotiation efforts would be successful or timely or that we would be able to refinance our obligations on acceptable terms or at all. If financial institutions decline to lend additional funds to us or to refinance our existing loans when they mature as a result of our credit risk and we fail to raise financing through other means, our financial condition, cash flow position and business prospects may be materially and adversely affected. You may find additional information in respect of the key terms of our outstanding obligations under the section entitled "Description of other material indebtedness." We cannot assure you that we will be able to maintain the relevant financial ratios from time to time nor that we will not default. If we are unable to obtain forbearance or waiver arrangements with the relevant lenders and upon occurrence of any default, event of default or cross-default in the future, it could lead to, among other things, an acceleration in our debt financing obligations, which could in turn have a material and adverse effect on our financial condition.

We may not be successful in expanding into each new markets that we target in the PRC or overseas or in developing each new business segment that we explore

Since 2006, we have gradually expanded our operations into 21 provinces, three autonomous regions and four provincial level municipalities beyond Guangdong Province in the PRC. In addition, in December 2011 and October 2013, we expanded our operations into Malaysia and Australia, respectively. We started construction of our first project in Indonesia in the first quarter of 2017. When opportunities arise, we expect to continue to expand our operations both within and outside the PRC. These new markets, including Malaysia, Indonesia and Australia where we have recently expanded into, may differ from our existing markets in terms of economic development level, topography, religion and culture, legal and regulatory practices and requirements, level of familiarity with contractors and business practices and customs, and customer tastes, behavior and preferences. These differences that exist in new markets, such as in Malaysia, Indonesia and Australia where we have recently expanded into, may also make it harder for us to secure local financings for our projects. In addition, when we enter into new markets, we will likely compete with developers who have an established local presence, are more familiar with local regulatory and business practices and have stronger relationships with local contractors, all of which may give them a competitive advantage over us. We cannot assure you that we will be able to enter into or operate in new markets successfully. Moreover, we normally are required to make significant capital investments for land acquisition, development planning, construction and other aspects of operations when we enter into a new market, such as Malaysia, Indonesia and Australia. It may take several years before revenue or positive cash flows can be generated from a new market.

Further, our plans include projects that differ significantly from our past and current projects in terms of targeted customers and business segments. Our primary experience to date has been in developing high quality residential properties for sale, construction, fitting and decoration of those properties, management of residential developments, and hotel operation. We have plans to expand into the business of developing office buildings in other areas in the PRC for our own use or for leasing to other companies. This is a relatively new business for us, and we cannot assure you that we will be successful in expanding into this area. We may not realize any revenue from this business, and even if revenue is realized, we cannot assure you that market demand for office space will be sufficient to provide us with an adequate return on our investment.

Our expansion and the need to integrate operations arising from our expansion, particularly into other fast growing cities in the PRC and outside the PRC, may place a significant strain on our managerial, operational and financial resources and further contribute to an increase in our financing requirements.

We may not be able to obtain a sufficient number of sites or retain sites suitable for property developments

We derive the majority of our revenue from the sale of properties that we have developed. This revenue stream is dependent on our ability to complete and sell our property developments. To maintain or grow our business in the future, we will be required to replenish our land reserve with suitable sites for developments. Our ability to identify and acquire a sufficient number of suitable sites is subject to a number of factors that are beyond our control.

The PRC government controls substantially all of the country's land supply and regulates the means by which property developers, including us, obtain land sites for property developments.

As a result, the PRC government's land supply policies affect our ability to acquire land use rights for sites we identify and the costs of any acquisition. In May 2002, the PRC government introduced regulations requiring government departments and agencies to grant state-owned land use rights for residential or commercial property developments through public tender, auction or listing-for-sale. We are required to follow these procedures to acquire land use rights to desirable sites from the government, which may result in higher land premiums than those we previously paid. Although these regulations do not prevent privately held land use rights from being traded in the secondary market, the PRC government's policy to grant state-owned land use rights at competitive market prices is likely to increase the acquisition cost of land reserves generally in the PRC. If we fail to acquire sufficient land reserves in a timely manner and at acceptable prices, or at all, our business prospects, results of operations and financial condition may be materially and adversely affected.

The PRC government has adopted a number of initiatives to control the growth of China's residential property sector and to promote the development of more affordable housing. For example:

- one initiative requires local governments, when approving new residential projects after June 1, 2006, to ensure at least 70% of their annual land supply (in terms of estimated GFA) consists of units that are less than 90 sq.m. in size;
- in an announcement made on May 30, 2006, the Ministry of Land and Resources of the PRC (the "Ministry of Land and Resources") has stated that land supply priority shall be given to ordinary commodity houses at middle to low prices and in medium to small sizes (including affordable housing);
- pursuant to the "Catalog of Restricted Use of Land (2012 Version Supplement)" (限制用地項目目錄(2012年本增補本)) and the "Catalog of Prohibited Use of Land (2012 Version Supplement)" (禁止用地項目目錄(2012年本增補本)) issued by the Ministry of Land and Resources in May 2012, the area of a parcel of land granted for commodity housing development shall not exceed seven hectares in small cities (towns), 14 hectares in medium cities or 20 hectares in large cities, and the plot ratio must exceed 1.0;
- the Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities (堅決遏制部分城市房價過快上漲的通知) issued by the State Council of the PRC (the "State Council") on April 17, 2010 also reiterated that the government will give high priority to supplying more affordable housing;
- according to the "Circular Concerning Issues on Strengthening Real Estate Land Supply and Supervision" (《關於加強房地產用地供應和監管有關問題的通知》) promulgated by the Ministry of Land and Resources on March 8, 2010, the supply of the land to be developed for indemnificatory housing, renovation of rundown residential areas and small or medium size self-use commercial housing shall be no less than 70% of the total land supply. Moreover, land supply for large-sized residential housing construction shall be strictly restricted, villa project shall be suspended and the area of a single parcel of land granted for commercial housing shall be strictly restricted; and
- the Notice on Continuing to Improve the Regulation and Control of Real Estate Market (國務院辦公廳關於繼續做好房地產市場調控工作的通知) issued by the General Office of the State Council on February 26, 2013, which requires, among other things, expanding the development of ordinary commodity housing units and increasing the supply of land.

Additionally, the PRC central and local governments have implemented various measures to regulate the means by which property developers obtain land for property development (see “—The PRC government has implemented restrictions on the payment terms for land use rights”). The PRC government also controls land supply through zoning, land use regulations and other means. All these measures further intensify the competition for land in China among property developers.

As of June 30, 2017, we had one project in the State of Selangor in Malaysia, three projects in the State of Johor in Malaysia, one project in Bali in Indonesia and one project in Sydney in Australia. We may have further operations outside of China in the future, which will also be subject to the relevant local government’s policies and control over land supply and the property sector in general.

These policy initiatives and other measures adopted by the government from time to time may limit our ability to acquire suitable land for development or significantly increase land acquisition cost, which may have a material adverse effect on our business, financial condition and results of operations.

Our land may be forfeited to the PRC government if we fail to comply with the terms of the land grant contracts

Under PRC laws and regulations, if a property developer fails to develop land according to the terms of the land grant contract (including those relating to payment of fees, designated use of land, time for commencement and completion of development of the land), the relevant government authorities may issue a warning to, or impose a penalty on, the developer, or require the developer to forfeit the land. Under current PRC laws and regulations, if we fail to commence development within one year from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may serve a warning notice on us and impose an idle land fee on the land of up to 20.0% of the land premium. If we fail to commence development within two years from the commencement date stipulated in the land grant contract, the land is subject to forfeiture to the PRC government unless the delay in development is caused by government actions, force majeure or necessary preparatory work. According to the “Notice on Enhancing the Economical and Intensive Use of Land” (國務院關於促進節約集約用地的通知) promulgated by the State Council on January 3, 2008, this policy was reinforced. This notice states, among other things, that (i) policies in relation to the forfeiture of land use rights without compensation for land which has remained idle for more than two years shall be strictly implemented; (ii) if any land remains idle for one year, an idle land fee of 20% of the relevant land premium shall be levied; (iii) before June 2008, all provincial, regional and municipal governments are required to submit to the State Council reports on the status of the clearance and handling of idle land; (iv) the prohibition of land supply for villa projects shall continue; (v) the Ministry of Land and Resources and other authorities are required to research and commence drafting implementation rules concerning the levy of land appreciation fees on idle land; (vi) in relation to the supply of residential land, planning conditions such as plot ratio limits and the number and type of units that can be constructed shall be taken into account in land grant contracts and allocation decisions to ensure that at least 70% of the total land grant for residential development will consist of low-rent housing, economy housing, limited price housing and units of less than 90 sq.m. in size; and (vii) financial institutions are required to exercise caution when approving financing for any property developer who, after one year from the commencement date stipulated in the land grant contract, fails to complete at least one-third of the development of their project or provide at least 25% of the total investment in the project.

Moreover, according to the “Notice on Implementation of the State Council’s Certain Opinions on Resolving Residence Difficulties of Urban Low-income Families and Further Strengthening Macro-control of Land Supply” (關於認真貫徹《國務院關於解決城市低收入家庭住房困難的若干意見》進一步加強土地供應調控的通知) issued by the Ministry of Land and Resources on September 30, 2007, even if the commencement of the land development is in compliance with the land grant contract, the land will be treated as idle land and the property developer may be restricted or prevented from participating in future bidding for land if (i) the developed GFA on the land is less than one-third of the total GFA of the project under the land grant contract or the total capital invested is less than one-fourth of the total estimated investment of the project under the land grant contract and (ii) there has been a suspension of the development of the land for over one year in time without government approval. This notice also calls for control over supply of large land parcels and states that the development period for an individual parcel of land in principle should not exceed three years. On June 1, 2012, the Ministry of Land and Resources revised and promulgated the Measure for the Disposal of Idle Land (閒置土地處置辦法), that became effective on July 1, 2012 which further clarified the scope and definition of idle land, as well as the corresponding punishment measures compared to the old version. For more information on regulation, please refer to the section headed “Regulation—Legal supervision relating to property sector in the PRC—D. Development of a property project—(a) Land for property development.” Parcels of land for certain property projects in the PRC have been deemed as idle land for failing to commence construction within the required time period as stipulated in the land grant contracts. Although the delays in the commencement of construction or the completion of certain of our property development did not lead to forfeiture of land or payment of idle land fees, we cannot assure you that circumstances leading to forfeiture of land or payment of idle land fees will not arise in the future. If we are required to forfeit land, to pay idle land fees or even to pay appreciation land premium, we will not be able to continue our property development on the forfeited land or recover the costs incurred for the initial acquisition of the forfeited land or recover development and other costs incurred up to the date of forfeiture, and our business, financial condition and results of operations may be adversely affected.

We recorded negative cash flows from operating activities in the past and are exposed to risks relating to pre-sales of properties

In 2014 and 2015, we recorded negative operating cash flows of RMB4,331.9 million and RMB17,590.0 million, respectively. In 2016 and for the six months ended June 30, 2017, we recorded positive operating cash flow of RMB41,262.8 million (US\$6,086.6 million) and RMB16,424.1 million (US\$2,422.7 million), respectively. We cannot assure you that we will not experience negative operating cash flows in the future. If we record negative operating cash flows again in the future, our working capital may be constrained, which may materially and adversely affect our business, financial condition and results of operations.

We depend on cash flows from pre-sales 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-sales of properties and may use pre-sales proceeds to finance only the developments wherein such properties are located. In the past several years, a number of government authorities and officials have proposed to limit or abolish the pre-sales of properties. These recommendations have not been adopted by the PRC government and have no enforceability. However, we cannot assure you that the PRC government will not ban or implement further restrictions on the pre-sales of properties, such as imposing additional conditions for pre-sale permits or further restrictions on the use of

pre-sales proceeds. Any such measure will adversely affect our cash flows and force us to seek alternative sources of funding for our property development business.

Our sales and pre-sales will be affected if mortgage financing becomes more costly or otherwise unavailable

Many purchasers of our residential properties rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing. An increase in minimum down payment requirements for mortgage financing may reduce the attractiveness of mortgages as a source of financing for property purchases. Either of those measures or the suspension of mortgage financing may adversely affect the affordability of residential properties, which in turn could have a material adverse effect on our business, financial condition and results of operations.

Since 2003, the PRC government has promulgated a range of laws, regulations and government policies regarding mortgage financing as a means to regulate the PRC property market. While the intent of these has generally been to reduce perceived speculation in the property market, during the global financial crisis the PRC government implemented a number of measures designed to stimulate the economy, including lowering the down payment requirements for purchasing residential properties and PBOC benchmark bank lending rates. However, since the fourth quarter of 2009, the PRC government has again enacted policies intended to restrain property purchases for investment or speculation purposes and to keep property prices from rising too quickly. Measures currently in place include:

- requiring a minimum down payment of at least 20% of the purchase price for the acquisition of the purchaser's first residential property (including his or her spouse and minor children) using housing reserves (住房公積金) to buy an ordinary home for self-use;
- requiring a minimum down payment of at least 20% of the purchase price for the acquisition of another new residential property using housing reserves to improve living conditions where the purchaser owns a residential property and has paid off its existing mortgage loan;
- requiring a minimum down payment of at least 30% of the purchase price for the acquisition of the purchaser's first ordinary residential property, and in cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, such minimum down payment is reduced to 25% in principle which can be further adjusted downward by 5% by local authorities. Since September 2014, the minimum mortgage loan interest rate for first-time purchasers of residential property was set at 70% of the benchmark lending interest rate. Where a family that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply the aforesaid mortgage loan policy for first-time purchasers of residential property;
- requiring commercial banks to suspend mortgage loans to customers for purchase of a third or further residential property, or to non-residents who cannot provide proof of local tax or social security insurance payments for more than a one-year period. Since September 2014, in cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off its existing mortgage loans

applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies; and

- suspending the availability of housing reserve loans where the purchase is for a third (or further) residential property.

For commercial property buyers, PRC banks are not allowed to finance the purchase of any pre-sold properties. The minimum down-payment for commercial property buyers has been increased to 50% of the purchase price, with minimum mortgage loan interest rates at 110% of the relevant PBOC benchmark one-year bank lending interest rate and maximum maturities of no more than 10 years. In addition, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50% of the individual borrower's monthly income or if the total debt service of the individual borrower would exceed 55% of such individual's monthly income. Since 2013, as a result of foregoing factors, PRC banks have generally tightened mortgage lending, which had affected the demand in the property market in general. Since September 2016, certain local governments including without limitation Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Suzhou, Zhengzhou, Jinan, Qingdao, Wuxi, Hefei, Wuhan, Nanjing, Fuzhou, Foshan, Dongguan, Huizhou, Shijiazhuang, Langfang, Baoding, Cangzhou, Chengde, Chengdu, Chuzhou, Changsha, Xiamen, Zhongshan, Jurong, Yangzhou and Hangzhou, have issued new property market control policies, including restoring or strengthening the restriction on purchases of residential properties and tightening credit policy. Our business, financial condition and results of operations may therefore be adversely affected.

For more information on the regulations adopted by the PRC government related to property financing, including dates of promulgation and authorizing governmental entities, see "Regulation—Legal supervision relating to property sector in the PRC—F. Property financing." Property purchasers in the PRC have been and will continue to be affected by these regulations and their amendments as may be made thereto from time to time.

We cannot assure you that the PRC government will not further increase down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. Nor can we assure you that such regulatory changes would not adversely affect our business, financial condition and results of operations.

We may not be able to successfully manage our growth

We have been rapidly expanding our operations in recent years, including our expansion to Malaysia in December 2011 and Australia in October 2013. We started construction of our first project in Indonesia in the first quarter of 2017. As we continue to grow, we must continue to improve our managerial, technical and operational knowledge and allocation of resources, and to implement an effective management information system. To effectively manage our expanded operations, especially projects outside Guangdong Province and operations outside China, we need to recruit and strengthen internal training for managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy our development needs. As of December 31, 2014, 2015, 2016 and June 30, 2017, we had approximately 64,869, 68,150, 94,450 and 107,607

full-time employees, respectively. In order to fund our ongoing operations and future growth, we need to have sufficient internal sources of liquidity or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties, which may have a different background and local practices than those in our traditional markets. We will need to further strengthen our internal control and compliance functions to ensure that we are able to comply with our legal and contractual obligations and reduce our operational and compliance risks including the risk of fraud or other misconduct by employees or third parties. We cannot assure you that we will not experience issues such as capital constraints, construction delays, operational difficulties at new operational locations or difficulties in adapting to local regulatory environment market conditions or culture, expanding existing business and operations and training an increasing number of personnel to manage and operate the expanded business or that our properties will be well received by the residents of the new markets. We cannot assure you that foreign exchange control and capital outflow policies of the PRC government relating to overseas property purchases will not adversely affect the sales generated by our overseas projects since a substantial portion of the purchasers of our overseas projects are, and are expected to continue to be PRC persons subject to the PRC government foreign exchange control and capital outflow policies. See “—Risks relating to the PRC—PRC economic, political and social conditions, as well as government policies, could affect our business.” We also cannot assure you that our expansion plans will not adversely affect our existing operations and thereby have a material adverse effect on our business, financial condition, results of operations and future prospects.

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

The global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 have had a negative impact on the world economy, which in turn affected the PRC real estate industry and many other industries. Subsequently, global markets and economic conditions were adversely affected by the credit crisis in Europe, the credit rating downgrade of the United States and heightened market volatility in major stock markets. In addition, 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. This event has resulted in a downgrade of the credit ratings of the United Kingdom and the uncertainty before, during and after the period of negotiation may also create a negative economic impact and increase volatility in global markets.

The outlook for the world economy and financial markets remains uncertain. In Europe, several countries are facing difficulties in refinancing sovereign debt. In the United States, the unemployment rate remains high. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In the Middle East, Eastern Europe and Africa, political unrest in various countries has resulted in economic instability and uncertainty. China’s economic growth may slow due to weakened exports. Moreover, as the PRC is transitioning to a consumption-based economy, the forecast growth rate of the PRC is expected to be significantly lower than its average growth rate over the past thirty years.

These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue adversely affecting, homeowners and potential property purchasers, which may lead to a decline in the general demand for our products and erosion of their sale prices. In addition, any further tightening of liquidity in the global financial markets may negatively affect our access to the capital market and thereby liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets crisis continue, our business, financial condition and results of operations may be adversely affected.

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

On September 28, 2007, the Ministry of Land and Resources issued revised Rules on the Grant of State-owned Land Use Rights through Public Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有建設用地使用權規定), which provide that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate and commence development on the land. This regulation became effective on November 1, 2007. As a result, property developers are no longer allowed to bid for a large piece of land, make partial payment, and then apply for a land use rights certificate for the corresponding portion of land in order to commence development, as had previously been the practice in many Chinese cities. On November 18, 2009, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the PRC Ministry of Supervision and the PRC National Audit Office issued the “Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant” (關於進一步加強土地出讓收支管理的通知), which raised the minimum down payment to 50% of the total land premium and required the land premium to be fully paid within one year of signing a land grant contract, subject to limited exceptions. On March 8, 2010, the Ministry of Land and Resources issued the Circular on Strengthening Real Estate Land Supply and Supervision (關於加強房地產用地供應和監管有關問題的通知), under which the minimum price for a given land transfer is required to be at least 70% of the benchmark price for land in the surrounding locality and the bidding deposit for such land transfer is required to be at least 20% of the applicable minimum transfer price. Property developers are also required to pay 50% of the land premium (taking into account any deposits previously paid) as a down payment within one month of signing a land grant contract and to pay the balance within one year of the contract date. On January 26, 2011, the State Council circulated Notice on Further Regulating the Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知), which provides stricter management of housing land supply, among other things, that participants or individual bidding on any land unit shall show proof of funding sources. On May 13, 2011, the Ministry of Land and Resources issued the “Opinions on Maintaining and Improving the System for the Grant of Land by way of Tender, Auction and Listing” (《關於堅持和完善土地招標拍賣掛牌出讓制度的意見》). According to the opinions, the base price for the land grant will take into consideration factors such as applicable laws, the proposed development and utilization of the land, land price, time of payment, development and construction duration, construction methods, the usage of land and previous dealings with the enterprise. The Ministry of Housing and Urban-Rural Development (the “MOHURD”) and the Ministry of Land and Resources jointly issued the “Circular of Relevant Work on Strengthening the Recent Administration and Control of Housing and Land Supply” (關於加強近期住房及用地供應管理和調控有關工作的通知) dated April 1, 2017 which requires that local authorities should adopt the examination system of land acquisition capital to insure the property developers acquiring land with internal funds and the property developers should be disqualified for any land bid backed by capital from questionable sources and prohibited from bidding for land within stipulated time limit. The implementation of these regulations may

increase land transfer prices and require property developers to maintain a higher level of working capital. We cannot assure you that we will be able to acquire land suitable for development at reasonable cost or that our cash flow position, financial condition or business plans will not be materially and adversely affected by the implementation of these regulations.

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

We have entered into land grant contracts or land grant confirmation letters or sale and purchase agreements to acquire certain parcels of land for which we have not yet obtained land use rights certificates or land title and we have not paid up all the land grant premium for some of these land parcels. As of June 30, 2017, these parcels of land occupied an aggregate site area of approximately 18,418,290 sq.m. with an aggregate expected GFA of approximately 35,358,025 sq.m. for future development. If we fail to complete the acquisition of these parcels of land in a timely manner, or at all, we will not be able to develop and sell properties on such land. We may not be able to acquire new land in replacement on terms acceptable to us, or at all. This would have a material adverse effect on our business, financial condition, results of operations and business prospects going forward. See “Business—Description of our property projects.”

Our business and results of operations may be adversely affected if we fail to obtain, or there are material delays in obtaining, the requisite governmental approvals

The property industry is subject to extensive regulations whether in the PRC or in the overseas markets such as Malaysia and Australia. For example, to establish a property development subsidiary in China, we must go through various PRC governmental approval and filing procedures and obtain the requisite approvals and licenses for our investment in such subsidiary and its property development and related business operations. Our property development subsidiaries must comply with a variety of legal and regulatory requirements, as well as the policies and procedures established by local authorities to implement such laws and regulations. To undertake and complete a property development, a property developer must obtain permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of the property development, including land use rights documents, planning permits, construction permits, pre-sale permits and certificates or confirmations of completion and acceptance. Each approval is dependent on the satisfaction of a set of conditions. Failure to obtain, or material delays in obtaining the requisite governmental approvals for any of our projects could give rise to potential liabilities and substantially disrupt the development and sale of our developments, which would result in a material adverse effect on our business, results of operations and financial condition.

We are currently applying for approval of the property development for certain projects. We cannot assure you that we will not encounter significant problems in satisfying the conditions to the approvals necessary for our business operations or property development, or that we will be able to adapt ourselves to new laws, regulations or policies that may come into effect from time to time and to which we are subject or the particular processes related to the granting of the approvals. There may also be delays on the part of the administrative bodies in reviewing our applications and granting approvals. There have been instances where we did not obtain approvals on time and there have been some instances where certain of our project companies in the PRC were imposed administrative penalties by relevant authorities as a result of commencing construction of certain projects before obtaining construction permits or other relevant approvals.

For example, one of our project companies in Huiyang were imposed fines of approximately RMB70 million for commencing project construction before obtaining construction permits. In October 2017, one of our project companies in Henan were imposed fines of approximately RMB16 million for commencing project construction before obtaining construction permits. There have also been instances where certain of our project companies in the PRC received administrative penalties imposed by the relevant governmental authorities as a result of using forest land or sea area without approvals from such governmental authorities. For example, in August 2017, one of the local oceanic authorities in Hainan issued an administrative penalty notice to one of our project companies and such project company was imposed with a fine of approximately RMB22.5 million for reclamation development of sea area without requisite approvals. If we fail to obtain, or experience material delays in obtaining, the requisite governmental approvals, licenses and filings, our investment in our subsidiaries and the schedule of development and sale of our developments could be substantially disrupted, resulting in a material adverse effect on our business, financial condition and results of operations.

Our profit margin is sensitive to fluctuations in the cost of construction materials

Construction costs are one of the predominant components of our cost of sales. Construction costs encompass all costs for the design and construction of a project, including payments to third-party contractors, costs of construction materials, foundation and substructure, fittings, facilities for utilities and related infrastructure such as roads and pipelines. Historically, material costs have been the principal driver of the construction costs of our property development projects, with the cost of third-party contractors remaining relatively stable. However, as most of the material costs are often included in the construction costs paid to our contractors, it has been difficult for us to estimate such costs.

Construction costs may fluctuate as a result of the volatile price movement of construction materials such as steel and cement. We seek to reduce our exposure to short-term price fluctuations of construction materials and limit project cost overruns by centralizing our procurement to lower our purchase costs. We also manage the cost of outsourced construction work through a process of tenders which, among other things, takes into account procurement of principal construction materials such as steel and cement at fixed prices. In line with industry practice, if there is a significant price fluctuation (depending on the specific terms of each contract), we will be required to re-negotiate, top up or refund, depending on the price movement, existing construction contracts. Additionally, should our existing contractors fail to perform under their contracts, we might be required to pay more to contractors under replacement contracts. Our profit margin is sensitive to changes in market prices for construction materials and our project margins will be adversely affected if we are not able to pass all of the increased costs onto our customers.

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

Property developers in the PRC must obtain a formal qualification certificate (資質證書) in order to develop property in the PRC. According to the Provisions on Administration of Qualification of Real Estate Developers (房地產開發企業資質管理規定), newly established developers must first apply for a temporary qualification certificate (暫定資質證書), which can be renewed for a maximum of two additional one-year periods, by which time a formal qualification certificate must have been issued. Before commencing their business operations, entities engaged in property management,

construction, or fitting and decoration are required to obtain qualification certifications in accordance with the Measures on Administration of Qualification of Property Service Enterprises (物業服務企業資質管理辦法) and the Provisions on Administration of Qualification of Construction Enterprises (建築業企業資質管理規定). Property developers in the PRC are required to produce a valid qualification certificate when they apply for a pre-sale permit. If the newly established property developer fails to commence a property development project within the one-year period when the provisional qualification certificate is in effect, it will not be allowed to extend its provisional qualification certificate. Experienced property developers must also apply for renewal of their qualification certificates every two to three years in most cities, subject to an annual verification by relevant governmental authorities. It is mandatory under government regulations that developers fulfill all statutory requirements before obtaining or renewing their qualification certificates.

Qualification certificates for property developers are subject to renewal on an annual basis. In reviewing an application to renew a qualification certificate, the local authority takes into account the property developer's registered capital, property development investments, history of property development and quality of property construction, as well as the expertise of the developer's management and whether the developer has any illegal or improper operations.

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

In addition, we have other non-property development related subsidiaries which also require qualification certificates to engage in their relevant operations. As of the date of this offering memorandum, these subsidiaries have obtained or are in the process of applying for the issuance or extension of such qualification certificates.

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

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

Property developments typically require substantial capital outlays during the construction periods, and it may take months or years before positive cash flows, if any, can be generated by pre-sales or sales. The time and costs required to complete a property development may increase substantially due to many factors beyond our control, including the shortage or increased cost of

material, equipment, technical skills and labor, adverse weather conditions, natural disasters, labor disputes, disputes with contractors, accidents, changes in government priorities and policies, changes in market conditions, delays in obtaining the requisite licenses, permits and approvals from the relevant authorities and other unforeseeable problems and circumstances. Any of these factors, individually or in the aggregate, may lead to a delay in completing, or failure to complete a property development and result in costs substantially exceeding those originally budgeted. Failure to complete a property development according to its original plan, if at all, may have an adverse effect on our reputation and could give rise to potential liabilities. As a result, our returns on investments, if any, might not be timely recognized or might be lower than originally expected.

Our investment properties are illiquid

Investments in properties are in general illiquid compared to many other types of investments. Therefore, our ability to sell one or more of our investment properties in response to changing economic, financial and investment conditions promptly, or at all, 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 a purchaser and to complete the sale of a property currently held or planned to be held for investment purposes. Moreover, should we decide to sell a property subject to a tenancy agreement, we may have to obtain consent from or pay termination fees to our tenant. In addition, investment properties may not be readily convertible to alternative uses if they become unprofitable due to competition, age, decreased demand or other factors. The conversion of investment properties to alternative uses generally requires substantial capital expenditures. In particular, we may be required to expend funds to maintain properties, correct defects, or make improvements before a property can be sold and we may not have sufficient funds available for such purposes. These factors and any others that would impede our ability to respond to adverse changes in the performance of our investment properties may materially and adversely affect our ability to retain tenants and to compete against our competitors and therefore our business, financial condition and results of operations may be materially and adversely affected.

We face risks relating to fluctuations of results of operations from period to period

Our results of operations tend to fluctuate from period to period. The number of properties that we can develop or complete during any particular period is limited due to the substantial capital required for land acquisition, demolition and resettlement and construction, as well as limited land supplies and lengthy development periods before positive cash flows may be generated. In addition, in recent years, we have begun to develop larger-scale property developments and, as a result, we develop properties in multiple phases over the course of several years. Typically, as the overall development moves closer to completion, the sales prices of the properties in such larger-scale property developments tend to increase because a more established residential community is offered to purchasers. In addition, seasonal variations have caused fluctuations in our revenues and profits from quarter to quarter. For example, our revenue and profits, recognized upon the delivery of properties, are often lower in the first half of a year than in the second half, and we will continue to experience fluctuations in revenue and profits on an interim basis. As a result, our results of operations fluctuate and our interim results do not proportionally reflect our annual results.

We rely on independent contractors

We expect that as our business grows in terms of the number of projects and geographical coverage, we will engage independent contractors to provide various services, including design, construction and installation, engineering, construction supervision, fitting and decoration, most of which have been provided primarily by our own subsidiaries to date. Historically, a majority of our construction work in Guangdong Province was undertaken by Guangdong Giant Leap Construction Co., Ltd. (Giant Leap Construction Co.) our wholly owned subsidiary. As we have expanded to regions outside Guangdong Province, we have outsourced more construction work which in turn has increased our reliance on independent contractors. While we may consider acquiring or setting up local construction companies in our major markets outside Guangdong Province, we expect that a substantial portion of our construction work outside Guangdong Province will continue to be undertaken by independent contractors. We cannot assure you of the availability of qualified independent contractors in the market at the time of our intended outsourcing, nor can we assure you that the services rendered by our independent contractors will always be satisfactory or meet our quality requirements. There have been instances where the independent contractors' performance was less than satisfactory, which in turn caused some quality issues and disputes between us and our customers. There have also been some instances where independent contractors failed to pay sub-contractors and as a result, we became parties to disputes related to such payments. While we endeavor to monitor the quality of our independent contractors' work, we cannot assure you that such issues will not arise in the future or that our business, results of operation, financial condition and reputation will not be materially and adversely affected as a result. Moreover, the completion of our property developments may be delayed, and we may incur additional costs, due to a contractor's financial or other difficulties. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

We face contractual and legal risks relating to the pre-sale of properties, including the risk that property developments may not be completed and the risk that changes in laws and regulations in relation to the pre-sales of properties may adversely affect our business, cash flow, financial condition and results of operations

We face contractual risks relating to the pre-sales of properties. For example, if we fail to meet the completion deadlines stated in pre-sale contracts, purchasers of pre-sold units have the contractual right to claim damages. If we still fail to deliver the properties to the purchasers within the grace period stipulated in the contract, the purchasers have the right of termination. If the actual GFA of a completed property delivered to purchasers deviates by more than 3% from the GFA originally stated in the pre-sale contracts, purchasers have the right of termination or the right to claim damages.

Proceeds from the pre-sales of our properties are an important source of funds for our property developments and have an impact on our liquidity position. On August 5, 2005, PBOC recommended in the "2004 Real Estate Financing Report" that the practice of pre-selling uncompleted properties be discontinued, on the grounds that it creates significant market risks and generates transactional irregularities. At the "two meetings" (the plenary session of the National People's Congress and that of the Chinese People's Political Consultative Conference) held in March 2006, a total of 33 delegates to the National People Congress, including Bai Hexiang, head of the Nanning Central Sub-Branch of PBOC put forward a motion to abolish the system for sale of forward delivery housing. In May 2006, Cheng Jiansheng, head of the Real Estate Finance Division of the Financial Market Department of

PBOC, published an article pointing out that the way to perfect the system for pre-sale of commodity properties (商品房) of China is to abolish the financing function of presale. On July 24, 2007, an economy research group under the National Development and Reform Commission (“NDRC”) proposed to change the existing system for sale of forward delivery housing into one for sale of completed housing. These recommendations have not been adopted by any PRC governmental authority and have no mandatory effect. On April 13, 2010, the MOHURD issued the Notice on Further Strengthening the Supervision of Real Estate Market and Improving the Pre-Sale System of Commodity Housing (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). The notice urges local governments to enact regulations on sale of completed commodity properties in light of local conditions, and encourages property developers to sell completed commodity properties. No local government has promulgated any such regulation for sale of completed commodity properties yet. We cannot assure you that PRC government authorities will not ban the practice of pre-selling uncompleted properties or implement further restrictions on the pre-sale of properties, such as imposing additional conditions for a pre-sale permit or further restrictions on the use of pre-sale proceeds. Proceeds from the pre-sale of our properties are an important source of financing for our property developments. Consequently, any restrictions on our ability to pre-sell our properties, including any increase in the amount of up-front expenditure we must incur prior to obtaining a pre-sale permit, would extend the time period required for recovery of our capital outlay and would result in our needing to seek alternative means to finance the various stages of our property developments. This, in turn, could have a material and adverse effect on our business, cash flow, financial condition and results of operations.

Resettlement negotiations may add costs or cause delays to our development projects

Under PRC laws and regulations, we are not responsible for the demolition and removal work for a site for development, unless the party responsible for the demolition and removal and the party subject to the demolition and removal fail to reach an agreement for compensation and resettlement, then either of them may apply for a ruling from the relevant governmental authorities. If a party is not satisfied with the ruling, it may initiate proceedings in a PRC court within three months from the date of service of such ruling, which may cause delays to the development of projects. Such proceedings and delays, if they occur, could adversely affect our reputation. In addition, any such delays to our development projects will lead to an increase in the cost and a delay in the expected cash inflow resulting from pre-sales of the relevant project and the recognition of sales as revenue upon completion, which may in turn adversely affect our business, financial position and results of operations.

We may not receive full compensation for assistance we provide to local governments to clear land for government land sales

In certain cases where we are interested in acquiring land, we assist local governments in clearing the land and relocating the original residents so that the land is ready for tender, auction and listing-for-sale. In such cases, we enter into land clearance agreements with the relevant land authorities, pursuant to which the relevant authorities are responsible for land planning, resident relocation and constructing municipal supporting facilities and we are responsible for providing funding for the land clearance and relocation and offering management services. After the land clearance is complete and the land is otherwise suitable for public land sale, the relevant land authority will organize a sale through a public tender, auction or listing-for-sale process. Under the land clearance agreements, we are reimbursed for expenses we incur for land clearance and relocation and we are entitled to a portion of the profit realized by the local government on the land sale. According to the land

clearance agreements, we have exclusive rights to clear the land, but do not have the exclusive right to acquire the land. We do not control the timing of the sale of the land use rights in the land that we have cleared, nor do we set the price for which such land use rights are sold. Sales of the land use rights are conducted by the relevant local government land authorities, through a bidding, auction or listing-for-sale process and we are required to participate in such process if we want to acquire the land. We cannot assure you that we will win the bid in a timely manner or at all; nor can we assure you that the relevant land authority will achieve an optimal price for the sale of such land use rights. We cannot assure you that we will be reimbursed for the expenses that we incur in connection with such land clearance, nor can we assure you that we will receive any profit from such land use rights sales. In addition, we cannot assure you that the PRC government will not issue new laws or regulations which may revoke the reimbursement, profit allocation or other arrangements in the land clearance agreements that we have entered into with the local governments and, as a result, we may not be able to receive compensation for expenses we incurred in connection with the land clearance and allocation work. Further, the PRC State Council on January 3, 2008 issued the Notice to Enhance the Economical and Intensive Use of Land (關於促進節約集約用地的通知), which requires the use of a public bidding process in selecting companies to assist the local governments with land clearance work. This requirement may limit our ability to participate in such land clearance work in the future.

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

We arrange for various banks to provide mortgage services to the purchasers of our properties in the PRC. In accordance with market practice, domestic banks require us to provide guarantees in respect of these mortgages. The majority of these guarantees are guarantees which are released upon the earlier of the issuance of the individual property ownership certificate (房產所有權證) to the owner of the property or the certificate of other rights of property (房地產他項權證) to the mortgage bank by the relevant housing administration department, which generally takes place within three months after we deliver the relevant property to the purchasers, or the full settlement of the mortgaged loans by the purchasers. Prior to 2003, we also provided guarantees for the mortgage loans of some of our customers which are discharged two years from the day the mortgage loans become due. In line with industry practice, we do not conduct independent credit checks on our customers but rely instead on the credit checks conducted by the mortgage banks. For further information on our outstanding guarantees for the mortgage loans of our customers, see note 39 to our consolidated financial statements as of and for the years ended December 31, 2014, 2015 and 2016 and note 27 to our unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2017, each of which is included elsewhere in this offering memorandum.

Although we have experienced a low rate of default on the mortgage loans we guarantee, there is no assurance that the default rate will not increase in the future. If such an increase occurs and our guarantees are called upon, our business, financial condition and results of operations could be adversely affected.

Disputes with joint venture partners may adversely affect our business

We have, and expect to have in the future, interests in joint venture entities in connection with our property development plans, including the Asian Games City JV, the project companies of our Malaysian projects and other joint venture entities described in this offering memorandum. In certain circumstances, our existing joint venture entities have relied on our financial support, and

we expect they will continue to do so. In addition, in accordance with PRC law, certain matters relating to joint ventures require the consent of all parties to the joint venture. Our joint ventures may involve risks associated with the possibility that our joint venture partners may:

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

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

Any unauthorized use of our brand may adversely affect our business, and our trademark licensees may conduct their business in a way that is detrimental to our brand image

Our brand receives high recognition in China. Any unauthorized use of our brand may have a negative impact on our brand image and adversely affect our business. In addition, we have granted a non-exclusive license to certain related parties to use our brand. We do not have control over the conduct of these licensees or other companies which may use our brand without our authorization. As a result, our business and reputation could be adversely affected due to any unauthorized use of our brand.

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

We do not maintain insurance for the destruction of, or other damage to, all of our properties under construction. We carry property management liability insurance in connection with our property management business and accident insurance (i.e. employer's liability insurance) for our construction workers; however, we do not maintain insurance against other personal injuries or property damage that may occur during the construction of our properties. We also do not carry insurance coverage for the non-performance of contracts during construction and other risks associated with construction and installation work during the construction period.

Moreover, there are certain contingent liabilities for which insurance is not available on commercially practicable terms, such as losses caused by earthquake, typhoon, flooding, war and civil disorder.

We may not have sufficient funds to offset any such losses, damages or liabilities or to replace any property development that has been destroyed in the course of our operations and property development. In addition, any payments we make to cover losses, damages or liabilities could have a material adverse effect on our business, financial condition and results of operations.

We may be involved in legal, administrative and other disputes arising out of our operations or subject to fines and sanctions in relation to our non-compliance with certain PRC laws and regulations from time to time and may face significant liabilities or damage our reputation as a result

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

We may also be involved in disputes with various parties relating to our property management business including personal injury claims. These disputes may lead to legal or other proceedings, may result in substantial costs and diversion of resources and management's attention and may have a material adverse effect on our reputation and our ability to market and sell our properties. We have been involved in disputes with our customers with respect to quality of our properties and time of delivery and we may receive negative publicity from other potential disputes with customers in the future. We also have been involved in disputes with independent contractors with respect to project payment. In addition, most of our projects consist of multiple phases, and purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the projects are perceived to be inconsistent with representations and warranties we made to them. Further, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in pecuniary liabilities and cause delays to our property developments. There have been instances where we were involved in disputes with local regulatory bodies relating to our business operations and we have also been fined administratively in the past for selling and marketing practices that were considered in breach of relevant regulations. We cannot assure you that any disputes with parties involved in the development and sale of our properties in the future would not have a material adverse effect on our business, financial condition and results of operations or have a negative impact on our reputation or the "Country Garden" brand. Any failure or alleged failure by us or any of our directors, officers or other agents to fully adhere to the PRC or other applicable anti-corruption laws, or any investigation in relation to such failure or alleged failure by any regulatory body, could also materially and adversely affect our reputation, business, financial condition and results of operations.

We are exposed to construction disputes and litigation

Giant Leap Construction Co. undertakes construction work for a substantial portion of our projects, as well as one project developed by a related party and a few third-party projects. Giant Leap Construction Co. may be subject to legal claims and proceedings instituted by our customers, subcontractors, workers and other parties involved in the projects undertaken by us from time to time. Such claims and proceedings include claims for compensation for late delivery of construction works and delivery of substandard works and claims in respect of personal injuries and labor compensation in relation to construction works.

We are not engaged in any litigation or arbitration of material importance and we are not aware of any material litigation or claim pending or threatened by or against us. However, we cannot assure you that we will not be engaged in any litigation or arbitration of material importance in the future. Although we have purchased insurance policies to cover potential litigation or arbitration claims, such claims may fall outside the scope or limit of our insurance coverage and our financial condition and results of operations may be adversely affected.

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

Property developers in the PRC are typically required to assist the purchasers to get the relevant individual property ownership certificates within 90 days of delivering the properties unless otherwise specified in the relevant sale and purchase agreements. Property developers, including us, generally elect to specify the deadline to apply for the individual property ownership

certificates upon the provision of the necessary documents by the customers to allow sufficient time for the relevant application processes.

Under current regulations, we are required to submit the requisite governmental approvals in connection with our property developments, including land use rights documents and planning and construction permits, to the local bureau of land resources and housing administration within three months of receiving the completion and acceptance certificate for the relevant properties and apply for the general property ownership certificate for these properties. We are then required to submit, within a stipulated period after delivery of the properties, the relevant property sale and purchase agreements, identification documents for the purchasers and proof of payment of deed tax, together with the general property ownership certificate, for the bureau's review and the issuance of the individual property ownership certificates.

No material claim has been brought against us by any purchasers for late application for individual property ownership certificates on behalf of our customers in the years ended December 31, 2014, 2015, 2016 and the six months ended June 30, 2017. However, we cannot assure you that we will not become liable to purchasers in the future for late application for individual property ownership certificates on behalf of our customers due to our own fault or reasons beyond our control, which may have a material adverse effect on our business.

Our branding and marketing strategy as well as our financial condition could be adversely affected if owners of the projects that we have developed elect to stop using us to provide property management services

We provide property management services to the owners and users of each project that we have developed. These services include rental agency, security management, maintenance, clubhouse operations, gardening and landscaping and other customer services. We believe that property management is an integral part of our business and is very important to the successful marketing and promotion of our property developments. Under PRC law, owners may engage or dismiss a property management company with the consent of more than half of the owners who in the aggregate hold more than 50% of the total non-communal area of the building. If owners of the projects that we have developed elect to stop using us to provide property management services, our branding and marketing strategy as well as our revenue from the property management business would be adversely affected.

Our hotel operations involve uncertainties

Certain residential projects that we have developed or intend to develop include high-end hotel operations.

Our approach to our hotel business is not focused on the profit contribution derived directly from our hotel operations. Rather, we consider our hotel business a value enhancer to our brand recognition in the property market and an integral component of our overall residential project marketing strategy.

Most of our hotels are currently owned and operated by our own hotel companies. Although the managing staff at various levels have the relevant management experience, we could face considerable reputational and financial risks if the hotels are mismanaged. If we are unable to successfully manage our hotel business, it may have a material adverse effect on the results in that segment as well as our overall marketing strategy, financial condition and results of operations.

We have engaged third-party hotel management partners to manage our Maritim Hotel, Wuhu, Maritim Hotel, Shenyang, Hilton Wuhan Optics Valley and Hilton Foshan. In addition, we have signed a letter of understanding and management agreement with an international management firm with respect to some of our hotels under development or planning. Our results of operations may be affected by the performance of these hotel management partners, as well as any adverse publicity or other adverse developments relating to these companies or their brands generally. We may also consider engaging other international management companies to manage our hotels. We and the hotel management companies may have disagreements as to how the hotels should be managed or other matters. In general, under the terms of the management agreements, the third-party hotel management partners control the daily operations of the hotels. Thus, even if we believe our hotels are being operated inefficiently or in a manner that does not result in optimal or satisfactory occupancy rates, gross operating profit margins or other performance indicators, we may not be able to require the management partners to change the way they manage our hotels. Such cooperation with hotel management companies may not achieve positive results as anticipated.

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

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

Any portion of our uncompleted and future property developments that are not in compliance with relevant laws and regulations will be subject to governmental approval and additional payments

The local government authorities inspect property developments after their completion and issue Construction of Properties and Municipal Infrastructure Completed Construction Works Certified Reports (房屋建築工程和市政基礎設施工程竣工驗收備案表) if the developments are in compliance with the relevant laws and regulations. If the total constructed GFA of a property development exceeds the GFA originally authorized in the relevant land grant contracts or construction permit, or if the completed property contains built-up areas that do not conform to the plan authorized by the construction permit, the property developer may be required to pay additional amounts or take corrective actions with respect to such non-compliant GFA before a Construction of Properties and Municipal Infrastructure Completed Construction Works Certified Report can be issued to the property development.

We cannot assure you that local government authorities will not find that the total constructed GFA of our existing projects under development or any future property development exceeds the relevant authorized GFA upon completion. Moreover, we cannot assure you that we would have sufficient funding to pay any required additional land premium or to pay for any surcharges or corrective action that may be required in a timely manner, or at all. Any of these circumstances may materially and adversely affect our reputation, our business, results of operations and financial condition.

The relevant PRC tax authorities may challenge the basis on which we calculate our LAT or other tax obligations

Under PRC tax laws and regulations, our PRC subsidiaries are subject to LAT, which is collected by local tax authorities. All income from the sale or transfer of land use rights relating to state-owned land, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation in value as defined by the relevant tax laws. Certain exemptions are available for the sale of ordinary standard residential houses (普通標準住宅) if the appreciation value does not exceed 20% of the total deductible items as defined in the relevant tax laws. Sales of commercial properties are not eligible for the exemption. We estimate and make provision for the full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations, but we only pay a portion of such provision each year as is required by the local tax authorities.

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

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

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

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

On May 19, 2010, the SAT issued the Circular on Issues Concerning Settlement of Land Appreciation Tax (關於土地增值稅清算有關問題的通知) to clarify and strengthen the settlement of LAT. Furthermore, on May 25, 2010, the SAT issued the Notice on Strengthening the Collection of Land Appreciation Tax (關於加強土地增值稅徵管工作的通知), which requires that the minimum LAT prepayment rate shall be 2% for provinces in the eastern region, 1.5% for provinces in the central and northeastern regions, and 1% for provinces in the western region.

Local provincial tax authorities can formulate their own implementation rules in accordance with the notice and local situation and there are uncertainties how this notice will be enforced. In the event that the implementation rules promulgated in the cities in which our projects are located require us to settle all unpaid LAT, our cash flow may be adversely affected.

For the years ended December 31, 2014, 2015, 2016 and the six months ended in June 30, 2017 our LAT expense was RMB1,644.9 million, RMB1,111.1 million, RMB3,115.0 million (US\$459.5 million) and RMB1,504.9 million (US\$222.0 million), respectively. We estimate and make provision for the amount of applicable LAT at the time the relevant property sales revenue is recognized and recorded in our books, but actual LAT payment will only be made at the time specified by the relevant PRC tax laws and regulations. We cannot assure you that the local tax authorities will agree with the basis on which we calculate our LAT obligations. In addition, we cannot assure you that the applicable tax rate for LAT will not increase, or that the PRC government or local tax authorities will not abolish the authorized taxation method, or that we will be able to obtain approval in the future to use the authorized taxation method. If the relevant tax authorities determine that a higher amount of LAT should be paid, our business, financial condition and results of operations may be materially and adversely affected.

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

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

Potential liability for environmental problems could result in substantial costs

We are subject to a variety of laws and regulations concerning environmental protection. The particular environmental laws and regulations that apply to any given development site vary greatly according to the site's location and environmental condition, the present and former uses of the site and the nature of the adjoining properties. Requirements under environmental laws and conditions may result in delays to development schedules, may cause us to incur substantial compliance and other costs and may prohibit or severely restrict project development activity in environmentally-sensitive areas.

The PRC environmental regulations provide that each project developed by a property developer must undergo an environmental assessment, and an environmental impact assessment report be submitted to the relevant government authorities for approval before construction is commenced. If we fail to comply with such requirements, the local environmental authority may order us to suspend project construction until an environmental impact assessment report is submitted to and approved by such authority. The local environmental authority may also impose on us a fine of 1%-5% of the total investment amount in respect of such project. There have been instances where certain of our project companies in the PRC received administrative penalties imposed by the environmental authorities as a result of commencing construction of projects before submitting the environmental impact assessment report to the relevant government authorities for approval. For example, in May 2017, one of the local environmental authorities in Anhui has issued an administrative penalty notice to one of our project companies that such project company has been imposed fines of an amount of approximately RMB30.7 million (US\$4.5 million) for commencing construction without submitting the environmental impact assessment report to the environmental authorities for approval. In November 2017, one of our project companies in Shandong were imposed fines of approximately RMB14 million for commencing project construction without obtaining approvals for the environmental impact assessment report from the local environmental authorities. We are currently applying for the approval of environmental assessment for certain of our projects. We cannot assure you that we will be able to obtain these approvals in a timely manner.

In addition, PRC law requires environmental facilities included in property developments to pass inspection by the environmental authorities in order to obtain completion approval before commencing operations. Some of our property projects have environmental facilities that are subject to this requirement and are currently applying for inspection by the environmental authorities. We cannot assure you that we will be able to pass such inspections in a timely manner. If we fail to comply with this inspection requirement, the local environmental authorities may order us to suspend construction or use of the relevant facilities, which may disrupt our operations and adversely affect our business. Such authorities may also impose on us a fine below RMB2 million and other penalties in respect of such project and there have been instances in the past when certain of our project companies in the PRC were imposed administrative penalties, including suspension of the use of the relevant sewage plant, by the environmental authorities as a result of non-compliance with the relevant PRC laws on environmental protection. We cannot assure you that we will obtain such approvals in a timely manner. In the event that such completion approvals cannot be obtained or if a fine is imposed on us, our business and our financial condition may be adversely affected.

Although the environmental investigations conducted by local environmental authorities to date have not revealed any environmental liability that we believe would have a material adverse effect on our business, financial condition or results of operations, it is possible that these investigations did not reveal all environmental liabilities and that there are material environmental liabilities of which we are unaware. We cannot assure you that a future environmental investigation will not reveal any material environmental liability. Also, we cannot assure you that the PRC government will not change the existing laws and regulations or impose additional or stricter laws or regulations, the compliance with which may cause us to incur significant capital expenditure. In addition, there is no assurance that we would be able to comply with any such laws and regulations, in the PRC or elsewhere where we conduct or may conduct our operations. See "Business—Environmental matters" for further details of environmental matters.

In terms of environmental liability, we have particular exposure through our Country Garden Forest City project

Country Garden Forest City (“Forest City”) is a vertical and multi-tiered city project situated in Iskandar Malaysia and linked to Singapore by a bridge. It is being developed by a joint venture that we formed with the government of Johor State in Malaysia. It is an urban development project with an expected total development term of 20 years. We hold a 60% equity interest in the joint venture. It has a site area of 20 sq.km. under its development plan. Such a long-term and significant development exposes us to potential liability based on claims of damage to the environment and related claims. As a specific example, Forest City has drawn criticism from certain international and local environmental activist groups, in addition to the environmental ministry in Singapore. These activists are concerned that several development projects in Johor, which include Forest City project, will result in damage to the intertidal seagrass meadow on Merambong shoal off Johor. This, in addition to other potential environmental claims, potentially expose us to liability that is specific to the Forest City project. We are unable at this juncture to assess whether the related criticism, scrutiny or liability claims would result in negative consequences in the future, including the disruption of construction and development of the project, affect our reputation or lead to potential legal action against us. Any of the forgoing may have a material adverse effect to our business, financial condition or results of operations.

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

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

Our success depends significantly on the continued services of our senior management team and other key personnel

Our future success depends significantly upon the continuing services of the members of our senior management team, in particular our chairman and executive director, Yeung Kwok Keung, who has extensive experience in the property industry in the PRC. Yeung Kwok Keung is responsible for formulating development strategies, making decisions on investment projects and setting the direction of our operations and overall business management. Our president and executive director, Mo Bin, also has extensive experience in property development and corporate management. If one or more of our senior executives or other personnel are unable or unwilling to continue in their present positions, we may be unable to replace them easily or at all, and our business may be disrupted and our financial condition and results of operations may be materially adversely affected.

In addition, we depend on the continued service of our executive officers and other skilled managerial and technical personnel, notably including our designers and architects. Competition for senior management and key personnel is intense, and the pool of qualified candidates is very limited. Our business could be adversely affected if we lose the services of our senior executives or key personnel without suitable replacements or if any member of our senior management team or any of our other key personnel joins a competitor or forms a competing business.

Further, as we expect our business to continue to grow, we will need to recruit and train additional qualified personnel. If we fail to attract and retain qualified personnel, our business and prospects may be adversely affected.

Our purchase contracts are subject to termination and variation under certain circumstances and are not a guarantee of our current or future contracted sales

We have included information relating to our contracted sales in this offering memorandum. Contracted sales refer to the purchase price of formal purchase contracts we entered into with purchasers of our properties. We compile contracted sales information through our internal records, and such information has not been audited or reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong. As these sales and purchases contracts are subject to termination or variation under certain circumstances pursuant to their contractual terms, or subject to default by the relevant purchasers, they are not a guarantee of current or future contracted sales. Contracted sales information included in this offering memorandum should in no event be treated as an indication of our revenue or profitability. Our subsequent revenue recognized from such contracted sales may be materially different from such contracted sales. Accordingly, contracted sales information contained in this offering memorandum should not be unduly relied upon as a measure or indication of our current or future operating performance.

The interests of our controlling shareholder may not always align with our interests

Our controlling shareholder, Yang Huiyan, beneficially owned approximately 57.92% of our Company as of the date of this offering memorandum. The interests of our controlling shareholder may differ from our interests or the interests of our creditors, including the holders of the Notes. Our controlling shareholder could have significant influence in determining the outcome of any corporate transactions or other matters submitted to the shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, the election of directors and other significant corporate actions. Our controlling shareholder also has the power to prevent or cause a change in control. Without the consent of our controlling shareholder, we may be prevented from entering into transactions that could be beneficial to us. As a company listed on the Hong Kong Stock Exchange, we are also required to maintain robust internal control and corporate governance procedures to ensure that our personnel will maintain confidentiality of sensitive and confidential information. Leakage of any confidential or price sensitive information, and the trading of our shares on the basis of such information, including by our controlling shareholder, may contravene relevant insider trading regulations. In addition, our controlling shareholder also holds interest in companies other than us. We cannot assure you that our controlling shareholder will act entirely in our interest or that any potential conflicts of interest will be resolved in our favor.

Land use rights certificates and building ownership certificates of certain of the properties owned or used by us have not been obtained

We have not obtained building ownership certificates for certain of our properties, including: a bowling alley in Shunde Country Garden, a health center in Shunde Country Garden Hospital and staff quarters in Lirendong. Our PRC legal advisor has advised us that because of the lack of building ownership certificates for these properties, we may be ordered by the relevant PRC government department to (i) remedy the defect and pay a fine which represents more than 2% but less than 4% of the consideration payable under the relevant construction agreement of these properties, (ii) compensate for losses suffered by the users of these properties or (iii) vacate these properties. In the event that any of these penalties is imposed on us, our business may be affected.

In addition, we lease certain land and buildings from third parties who have not obtained the relevant land use rights certificates or the building ownership certificates, as applicable. We use these properties mainly to create additional green space for our property developments or as housing for some of our employees. In the event that the leases with these third parties are invalidated due to defects in the leased properties' title, we will have to return or restore the properties, which may affect the overall appeal of the relevant property developments. We will also have to find substitute housing for employees living in such premises.

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

Under the Enterprise Income Tax Law (企業所得稅法) ("EIT Law") and the implementation rules which both took effect on January 1, 2008, enterprises established outside the PRC whose "de facto management bodies" are located in China are considered "resident enterprises" for PRC tax purposes. The implementation rules define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation specified certain criteria for the determination of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises. However, there have been no official implementation rules regarding the determination of the "de facto management bodies" for foreign enterprises that are not controlled by PRC enterprises (including companies such as ourselves).

We hold our shareholders' meetings and certain board meetings outside China and keep our shareholders' list outside China. However, most of our directors and senior management are currently based inside China and we keep our books of account inside China. The above elements may be relevant for the tax authorities to determine whether we are PRC resident enterprises for tax purposes. However, there is no clear standard published by the tax authorities for making such a determination.

Although it is unclear under PRC tax law whether we have a "de facto management body" located in China for PRC tax purposes, we take the position that we are not a PRC resident enterprise for tax purposes. We cannot assure you that the tax authorities will agree with our position. If we are deemed to be a PRC resident enterprise for EIT purposes, we would be subject to the PRC enterprise income tax at the rate of 25% on our worldwide income. Furthermore, we would be obligated to withhold PRC income tax of up to 7% on payments of interest and certain

other amounts on the Notes to investors that are non-resident enterprises located in Hong Kong or 10% on payments of interest and other amounts on the Notes to investors that are non-resident enterprises located outside Hong Kong, because the interest and other amounts would be regarded as being derived from sources within the PRC. In addition, if we fail to do so, we may be subject to fines and other penalties. Similarly, any gain realized by such non-resident enterprise investors from the transfer of the Notes would be regarded as being derived from sources within the PRC and would accordingly be subject to a 10% PRC withholding tax.

PRC regulations relating to investment in offshore special purpose companies by PRC residents may subject our PRC resident shareholders to personal liability, limit our ability to contribute capital into or provide loans to our PRC subsidiary, limit our subsidiaries' ability to increase their registered capital, pay dividends or otherwise distribute profits to us, or otherwise adversely affect us

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

Circular No. 37 and other relevant SAFE rules require PRC residents, including both legal and natural persons, to register with the banks before making capital contribution to any company outside of China (an "offshore SPV") with onshore or offshore assets and equity interests legally owned by PRC residents. In addition, any PRC individual resident who is the shareholder of an offshore SPV is required to update its registration with banks with respect to that offshore SPV in connection with change of basic information of the offshore SPV such as its company name, business term, the shareholding by individual PRC resident, merger, division and with respect to the individual PRC resident in case of any increase or decrease of capital in the offshore SPV, transfer of shares or swap of shares by the individual PRC resident. Failure to comply with the required registration and updating requirements described above may result in restrictions being imposed on the foreign exchange activities of the PRC subsidiaries of such offshore SPV, including increasing the registered capital of, payment of dividends and other distributions to, and receiving capital injections from the offshore SPV. Failure to comply with Circular No. 37 may also subject the relevant PRC residents or the PRC subsidiaries of such offshore SPV to penalties under PRC foreign exchange administration regulations for evasion of applicable foreign exchange restrictions.

Due to uncertainty concerning the reconciliation of these SAFE rules with other approval or registration requirements, it remains unclear how these rules, and any future legislation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant government authorities. We attempt to comply, and attempt to ensure that our shareholders who are subject to these rules comply, with the relevant requirements. However, we cannot assure you that all of our shareholders who are PRC residents will comply with our

request to make or update any applicable registrations or comply with other requirements of these or other related rules. The failure or inability of our PRC resident shareholders to make any required registrations or comply with other requirements may subject such shareholders to fines and legal sanctions and may also limit our ability to contribute additional capital or provide loans to (including using the proceeds from any equity or debt securities offerings) our PRC subsidiaries, limit our PRC subsidiaries' ability to increase their registered capital, pay dividends or otherwise distribute profits to us, or otherwise adversely affect us.

Our investments in the PRC and our overseas projects are subject to the PRC government's control over foreign investment in the property sector and foreign exchange and capital outflow policies

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

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

In June 2008, to strengthen regulation of foreign-invested real estate enterprises, MOFCOM issued the "Notice Regarding Completing the Registration of Foreign Investment in the Real Estate Sector" (關於做好外商投資房地產業備案工作的通知). According to this notice, when a foreign-invested real estate enterprise is established or increases its registered capital, the provincial level of MOFCOM is required to verify all filing materials regarding such foreign-invested real estate enterprise and to make a report to the national level of MOFCOM. This notice also requires that each foreign-invested real estate enterprise undertake only one approved property project. In November 2010, MOFCOM promulgated the Notice on Strengthening Administration of the Approval and Registration of Foreign Investment into the Real Estate Industry (關於加強外商投資房地產業審批備案管理的通知), which reiterated these limitations on foreign-invested real estate enterprises. On June 24, 2014, MOFCOM and SAFE jointly issued the Circular on Improving the Record-filing for Foreign Investment in Real Estate (關於改進外商投資房地產備案工作的通知), effective on August 1, 2014. According to this circular, the

provincial branch of MOFCOM, instead of MOFCOM, will be in charge of the filing work of the foreign-invested real estate enterprises. On November 11, 2015, MOFCOM and SAFE jointly issued the “Circular on Further Improving the Record-filing for Foreign Investment in Real Estate” (關於進一步改進外商投資房地產備案工作的通知). According to this circular, the record-filing procedure has been cancelled.

On December 31, 2016, SAFE emphasized in a post on its website that its review of applications for foreign currency purchase would be tightened. In particular, it explicitly prohibited individuals from buying foreign currencies for purposes of purchasing real estate overseas. These foreign exchange restrictions make it more difficult for domestic investors to buy property overseas.

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

For more information about policies adopted by the PRC government with respect to the PRC property sector, see “Regulation—Legal supervision relating to property sector in the PRC—B. Foreign-invested real estate enterprises.”

PRC regulations relating to acquisitions of PRC companies by foreign entities may limit our ability to acquire PRC companies and adversely affect the implementation of our strategy as well as our business and prospects

The Provisions on the Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the “M&A Provisions”) issued by six PRC ministries, including MOFCOM, effective from September 8, 2006, provide the rules with which foreign investors must comply should they seek to purchase by agreement the equities of the shareholders of a domestic non-foreign-invested enterprise or subscribe to the increased capital of a domestic non-foreign funded enterprise, and thus convert the domestic non-foreign-invested enterprise into a foreign invested enterprise to conduct asset merger and acquisition. It stipulates that the business scope upon acquisition of domestic enterprises must conform to the Foreign Investment Industrial Guidance Catalog, 2015 Version (外商投資產業指導目錄, 2015年修訂) issued by NDRC and MOFCOM, which restricts the scope of permitted foreign investment. It also provides the takeover procedures for equity interests in domestic companies. On September 3, 2016, the National People’s Congress Standing Committee (NPCSC) adopted a decision on amending the law of foreign invested companies which became effective from October 1, 2016. Upon the effectiveness of the decision, the establishment of the foreign invested enterprise and its subsequent changes will be required to be filed with the relevant authorities instead of obtaining approvals from relevant commerce authorities as required by the existing PRC laws, except for the foreign invested enterprises which are subject to the special administrative measures regarding foreign investment entry. On October 8, 2016, the NDRC and the MOFCOM jointly issued a notice regarding the scope of industries subject to the special administrative measures for foreign investment entry, according to which the M&A Provisions still apply to convert the domestic non-foreign-invested enterprises into foreign invested enterprises. On June 28, 2017, MOFCOM and NDRC jointly issued the Catalog of Guidance on Industries for Foreign Investment (2017 Revised) effective from July 28, 2017. It provided that filing with the relevant authorities, instead obtaining approvals, is required for foreign investors to acquire Chinese companies if those

foreign investors are not subject to the special administrative measures on foreign investment entry excluding the foreign entity established or controlled by PRC enterprises, companies or individuals to acquire its affiliated Chinese company. Subsequently, on July 30, 2017 MOFCOM issued the revised Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises to implement the aforesaid filing procedures with regard to the acquisitions of Chinese companies by foreign entities.

The PRC government has implemented restrictions on the ability of PRC property developers to obtain offshore financing which could affect our ability to deploy the funds raised in the offering in our business in the PRC

On May 23, 2007, MOFCOM and SAFE jointly issued the “Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC” (關於進一步加強規範外商直接投資房地產業審批和監管的通知). On April 28, 2013, SAFE issued the “Notice Regarding Promulgation of Administrative Measures on Foreign Debt Registration” (國家外匯管理局關於發佈《外債登記管理辦法》的通知), which became effective on May 13, 2013 and contains an appendix named the Operating Guidelines for Foreign Debt Registration Administration (外債登記管理操作指引). These notices indicate that SAFE will no longer process foreign debt registrations or foreign debt applications for the settlement of foreign exchange submitted by real estate enterprises with foreign investment that obtained authorization certificates from and registered with MOFCOM on or after June 1, 2007. These regulations effectively prohibit us from injecting funds into our PRC project companies by way of shareholder loans. Without the flexibility to transfer funds to PRC subsidiaries as loans, we cannot assure you that the dividend payments from our PRC subsidiaries will be available on each interest payment date to pay the interest due and payable under the Notes, or on the maturity date to pay the principal of the outstanding Notes.

Further, we cannot assure you that the PRC government will not introduce new policies that further restrict our ability to deploy in the PRC, or that prevent us from deploying in the PRC, the funds raised outside China. Therefore, we may not be able to use all or any of the capital that we may raise outside China to finance our projects in a timely manner or at all.

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

The national and regional economies in China and the places where we conduct our operations 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 the places where we conduct our operations. 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 such places. Some regions in China, Malaysia, Indonesia and Australia, including certain cities where we operate, are under the threat of floods, earthquakes, sandstorms, snowstorms, fires, droughts, or

epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1). For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008 and subsequently, resulting in tremendous loss of lives, injuries and destruction of assets in the region. 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 or an outbreak of any other epidemics in China or the places where we conduct our operations, such as the Ebola virus, the H5N1 avian flu or the human swine flu, may result in material disruptions to our property development and our sales, which in turn may adversely affect our business, financial condition and results of operations.

Risks relating to the property sector in the PRC

The property industry in the PRC is subject to government regulations and policies, which could have the effect of slowing down the industry's growth

Our business is subject to extensive governmental regulation. As with other PRC property developers, we must comply with various requirements mandated by the PRC laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the 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, foreign exchange, property financing, taxation and foreign investment.

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

- suspending or restricting land grants and development approvals for villas and larger-sized units;
- charging an idle land fee for land which has not been developed for one year starting from the commencement date stipulated in the land use rights grant contract and canceling land use rights for land which has not been developed for two years or more;
- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year be used for developing low to medium-cost and small to medium-size units and low-cost rental properties;
- requiring that at least 70% of residential projects approved or constructed on or after June 1, 2006, consist of units with floor area of less than 90 sq.m. per unit, and that projects which have received project approvals prior to this date but have not obtained construction permits to adjust their construction plan in order to be in compliance with this new requirement, with the exception of municipalities under direct administration of the PRC central government, provincial capitals and certain cities which may deviate from this ratio under special circumstances upon the approval by the Ministry of Construction (the "70:90 rule");
- tightening availability of bank loans to property developers and property purchasers of developed properties and increasing the reserve requirements for commercial banks;
- imposing or increasing taxes on short-term gains from second-hand property sales; and

- restricting foreign investment in the property sector by, among other things, increasing registered capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons.

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

Beginning in the fourth quarter of 2009, the PRC government enacted policies intended to restrain property purchases for investment or speculation purposes and to keep property prices from rising too quickly. Measures adopted include:

- requiring a minimum down payment of at least 30% of the purchase price for the acquisition of the purchaser's first residential property (including his or her spouse and minor children) using housing reserves to buy an ordinary home with a unit floor area of more than 90 sq.m. for self-use;
- requiring a minimum down payment of at least 20% of the purchase price for the acquisition of the purchaser's first residential property (including his or her spouse and minor children) using housing reserves to buy an ordinary home with a unit floor area of not more than 90 sq.m. for self-use;
- requiring a minimum down payment of at least 60% with a minimum mortgage lending interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property through mortgage financing. In the third quarter of 2013, several cities, including Guangzhou, Shanghai and Hangzhou, have increased the minimum down payment for purchasers of second residential properties to 70% of the purchase price;
- requiring commercial banks to suspend mortgage loans to customers for purchase of a third or further residential property, or to non-residents who cannot provide proof of local tax or social security insurance payments for more than a one-year period;
- eliminating preferential tax treatment for transfers of residential properties by property owners with respect to certain business taxes and effective from January 28, 2011, business tax is imposed on (i) the full amount of the transfer price upon the transfer of any residential property by an individual owner within five years from such individual owner's purchase and (ii) the difference between the transfer price and the original purchase price upon the transfer of any non-ordinary residential property by an individual owner more than five years from such individual owner's purchase;
- prohibiting all property companies with records of being involved in abuse of land, changing the use of land, postponing the construction commencement or completion date, hoarding properties or other non-compliance from obtaining bank loans for new projects or extension of credit facilities;

- limiting the availability of second housing reserve loans to families whose per capita living area is below the average in their locality and requiring that such loans be used only to purchase an ordinary home for self-use in order to improve their living conditions; and
- restricting purchasers (including their spouses and minor children) in certain targeted cities that are local residents with two or more residential properties, non-local residents with one or more residential properties or non-local residents that are unable to provide documentation certifying payment of local tax or social security for longer than a specified time period, from purchasing any residential properties.

The PRC government has continued to increase regulation over the property market since 2010. Policies restricting property purchases were adopted in nearly 50 cities in 2011, as compared to fewer than 25 cities in 2010. To support the demand of purchasers of residential property and to promote the sustainable development of the real estate market, the PBOC and the CBRC jointly issued the Notice on Further Improving Financial Services for Residential Property (關於進一步做好住房金融服務工作的通知) on September 29, 2014, which provides that for any family that wishes to use a loan to purchase a residential property, the minimum down payment will be 30% of the property price and the minimum loan interest rate will be 70% of the benchmark lending interest rate, with the specific terms of such loan to be decided by the banking financial institution that provides the loan, based on the risk profile of the borrower. Where a family that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply mortgage loan policy for first-time purchasers of residential property. In cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off its existing mortgage loans applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies. Regulations were promulgated at various levels to promote affordable housing. PRC regulatory measures in the real estate industry will continue to affect our business and results of operations. See "Regulation—Legal supervision relating to property sector in the PRC."

In addition, the State Council has approved on a trial basis the launch of property tax scheme in selected cities. The detailed measures will be formulated by the governments of the pilot provinces, autonomous regions or municipalities directly under the central government. On January 27, 2011, the governments of Shanghai and Chongqing issued their respective measures for implementing pilot property tax schemes, which became effective on January 28, 2011. Under the measures issued by the Shanghai government, property tax will be imposed on any purchase of a second (or further) residential property by local residents or any purchase of a residential property by non-local residents on or after January 28, 2011, at rates ranging from 0.4% to 0.6% based on 70% of the purchase price of the property. Under the measures issued by the Chongqing government, property tax will be imposed within the nine major districts of Chongqing, on (i) stand-alone residential properties (such as villas) owned by individuals, (ii) high-end residential properties purchased by individuals on or after January 28, 2011, the purchase prices per square meter of which are two or more times of the average price of new residential properties developed within the nine major districts of Chongqing in the last two

years and (iii) the second or further ordinary residential properties purchased on or after January 28, 2011 by non-resident individuals who are not employed in and do not own an enterprise in Chongqing, at rates ranging from 0.5% to 1.2% of the purchase price of the property. These two governments may issue additional measures to tighten the levy of property tax. It is also expected that more local governments will follow Shanghai and Chongqing to impose property tax on commodity properties. The imposition of property tax on commodity properties will increase the purchasing cost of properties and is expected to have a negative impact on demand for properties in China, which in turn could have a material adverse effect on our business, financial condition and results of operations. Furthermore, the governments of Beijing and Guangzhou have recently adopted additional restrictive policies to curb property price increases. In September 2012, the Guangzhou government imposed restrictions on the pre-sale of certain high-priced properties, while the Beijing government issued a new requirement that local purchasers must present the original copy of the “second generation” personal identification cards for the review of their eligibility to purchase residential properties in Beijing.

Many cities in the PRC had already promulgated measures to restrict the number of residential properties one family is allowed to purchase. In order to implement the central government’s requirement, other cities in China, including those where our property projects are located, may issue similar or other restrictive measures in the near future. In the third quarter of 2013, several cities, including Guangzhou, Shanghai and Hangzhou, have increased the minimum down payment for purchasers of second residential properties to 70% of the purchase price. Any such measures could have a material adverse effect on our business, financial condition or results of operations. Since August 2014, most of the local governments had issued their respective measures to lift the restrictions on the purchase of residential properties. However, since September 2016, certain local governments including without limitation Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Suzhou, Zhengzhou, Jinan, Qingdao, Wuxi, Hefei, Wuhan, Nanjing, Fuzhou, Foshan, Dongguan, Huizhou, Shijiazhuang, Langfang, Baoding, Cangzhou, Chengde, Chengdu, Chuzhou, Changsha, Xiamen, Zhongshan, Jurong, Yangzhou and Hangzhou, have issued new property market control policies, including restoring or strengthening the restriction on purchases of residential properties and tightening credit policy.

We cannot assure you that the PRC government will not adopt more stringent industry policies, regulations and measures in the future. For example, the PRC government may impose county-wide property tax reform in the near future. We are not sure whether such tax reform will be imposed and neither can we assess the adverse impact of this tax reform on our business operations and financial results. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes disrupt our business or cause us to incur additional costs, our business, financial condition, results of operations and prospects may be materially and adversely affected. For more information about policies adopted by the PRC government with respect to the PRC property sector, see “Regulation.”

The property industry in the PRC is still at an early stage, and the property market and related infrastructure and mechanisms have not been fully developed

Private ownership of property in the PRC is still in a relatively early stage of development. The growth in demand for private residential property in the PRC, including Guangdong Province, in recent years is often coupled with volatility in market conditions and fluctuation in property prices. It is extremely difficult to predict by how much and when demand will develop, as many

social, political, economic, legal and other factors, most of which are beyond our control, may affect the development of the market. The level of uncertainty is increased by the limited availability of accurate financial and market information as well as the overall low level of transparency in the PRC.

The lack of a liquid secondary market for residential property may discourage investors from acquiring new properties. The limited amount of property mortgage financing available to PRC individuals, compounded by the lack of security of legal title and enforceability of property rights, may further inhibit demand for residential developments.

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

Risks relating to the PRC

PRC economic, political and social conditions, as well as government policies, could affect our business

Substantially all of our assets are located in the PRC, and all of our revenue is derived from within the PRC. Accordingly, our results of operations, financial position and prospects are significantly subject to the economic, political and legal developments of the PRC.

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

- political structure;
- level of government involvement;
- level of development;
- uncertainties in the implementation and enforcement of laws;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a planned economy to a market-oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasizing utilization of market forces in the development of the PRC economy. The PRC government has implemented measures from time to time in order to prevent the PRC economy from overheating and will continue to do so according to its national development plans and fiscal or other policies. These measures may cause a decrease in the level of economic activity, including demand for residential and commercial properties and may have an adverse impact on economic growth in the PRC. If China's economic growth slows down further or if the Chinese economy experiences a recession, the growth or demand for our products may also slow down and our business, financial condition and results of operations will be adversely affected. See "—Risks relating to our business—We may be adversely affected by fluctuations in the global economy and financial markets." In May 2017, Moody's 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.

Moreover, we are susceptible to any foreign exchange and capital control policies adopted by the PRC government that restricts its citizens from converting its local currency into other currencies for overseas property purchases in order to curb capital outflows, particularly since a substantial portion of the purchasers of some of our overseas projects are, and are expected to continue to be, PRC persons subject to the PRC government's foreign exchange control and capital outflow policies. We cannot guarantee that this will not adversely affect the success of our overseas property projects or that it will not adversely affect our business, financial condition and results of operations.

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

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

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

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency to jurisdictions outside China. We receive substantially all of our revenue in Renminbi. Under our current structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of SAFE, by complying with certain procedural requirements. However, approval from the appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted to a jurisdiction outside China to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access to foreign currencies for current account transactions in the future. If the PRC foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, our PRC subsidiaries may not be able to pay dividends in foreign currencies to us and we may not be able to service our debt obligations denominated or settled in foreign currencies, such as the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes, the 2014 Club Loan, the 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan and the Notes.

The PRC legal system has inherent uncertainties that could affect our business and results of operations as well as the interest of investors in the Notes

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

Since 1979, the PRC government has promulgated laws and regulations in relation to general economic matters, such as foreign investment, corporate organization and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. In particular, legislation over the past 30 years has significantly enhanced the protections afforded to various forms of foreign investment in China. The legal system in China is continuing to evolve. Even where adequate laws exist in China, the enforcement of existing laws or contracts based on existing laws may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction. For example, we have registered the issuance of the Notes with the NDRC with reference to the NDRC Notice and are required to file a post-issuance report with the NDRC within 10 PRC working days after the issue date of the Notes pursuant to the registration certificate. As the NDRC Notice is a new regulation, there are still uncertainties regarding its interpretation, implementation and enforcement by the NDRC. If we fail to complete such filing in accordance with the relevant requirements, due to any change in the relevant regulation we may be subject to penalties or other enforcement actions by relevant PRC government authorities. In addition, the PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited as reference but have limited weight as precedents.

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

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

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

It may be difficult to enforce any judgments obtained from non-PRC courts against us in the PRC

Substantially all of our assets are located within the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan or most other western countries. Therefore, it may be difficult for you to enforce against us in the PRC any judgments obtained from non-PRC courts.

Risks relating to the Notes

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

We are a holding company with no material operations. We conduct our operations primarily through our PRC subsidiaries. The Notes will not be guaranteed by any current or future PRC subsidiaries. Moreover, the Notes will not be guaranteed by certain Non-Guarantor Subsidiaries and under the terms of the Indentures, Subsidiary Guarantors may be able to release their Subsidiary Guarantees subject to certain conditions and become Non-Guarantor Subsidiaries. Our primary assets are ownership interests in our PRC subsidiaries, which are held through the Subsidiary Guarantors. The Subsidiary Guarantors do not have material operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the Subsidiary Guarantors to satisfy their obligations under the Subsidiary Guarantees will depend upon our receipt of principal and interest payments and the distributions of dividends from our subsidiaries.

Creditors, including trade creditors of our 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 the 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 issued in connection with our business), 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, indebtedness of our PRC subsidiaries constituted more than half of our total borrowings (other than our senior notes and offshore facilities). The Notes and the Indentures do not restrict the ability of our subsidiaries to issue certain categories of guarantees in the ordinary course of business. In addition, our secured creditors or those of any Subsidiary Guarantor would have priority as to our assets or the assets of the Subsidiary Guarantor securing the related obligations over claims of the holders of the Notes.

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

As a holding company, we depend on the receipt of dividends and the interest or principal 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 of such subsidiaries. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares 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 Subsidiary Guarantees.

PRC laws and regulations permit payment of dividends only out of net 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 required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserve funds that are not distributable as cash dividends. In practice, our PRC subsidiaries may pay dividends once a year at the end of each financial year. Some of our PRC subsidiaries are also subject to certain restrictions on dividend distributions under their loan agreements with certain PRC banks. As a result, some of our PRC subsidiaries may be restricted in their ability to transfer their profits to us whether in the form of dividends, loans or advances. Any limitation on the ability of our subsidiaries to pay dividends to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends, service our debts or otherwise fund and conduct our business. See “Description of other material indebtedness.”

In addition, under the EIT Law and its implementation rules, 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. Currently, there is no such treaty between the PRC and the British Virgin Islands, where substantially all of our non-PRC subsidiaries are incorporated. 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 limitations, dividend payments from our PRC subsidiaries may not be sufficient to meet our payment obligations required by the Notes or to satisfy the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees, and there could be restrictions on payments required to pay off the Notes at maturity or as required for any early redemption.

In addition, our ability to lend offshore shareholder loans to our property developer subsidiaries in the PRC is fairly limited. See “—The PRC government has implemented restrictions on the ability of PRC property developers to obtain offshore financing which could affect our ability to deploy the funds raised in the offering in our business in the PRC.” Furthermore, in practice, the market interest rate that our PRC non-property developer subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates on shareholders’ loans paid by these subsidiaries, therefore, are likely to be lower than the interest rate for the Notes. Our PRC subsidiaries are also required to pay a 10% withholding tax on our behalf on the interest paid under any shareholders’ loans. PRC regulations require approval by SAFE prior to any of our non-PRC subsidiaries making shareholder loans in foreign currencies to our PRC subsidiaries and require such loans to be registered with SAFE. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries must present evidence of payment of the 10% withholding tax on the

interest payable in 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 under the Subsidiary Guarantees.

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

The Notes are denominated in U.S. dollars, while substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by 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 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 International Monetary Fund announced on September 30, 2016 that, effective October 1, 2016, the Renminbi will be added to its Special Drawing Rights currency basket. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. 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 substantial U.S. dollar denominated indebtedness and other obligations. Such a devaluation could also adversely affect the value, translated or converted to U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. Following the offering of the Notes, we may enter into foreign exchange or interest rate hedging agreements in respect of our U.S. dollar-denominated liabilities under the Notes. These hedging agreements may require us to pledge or transfer cash and other collateral to secure our obligations under the agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments. The Initial Purchasers and their affiliates may enter into such hedging agreements permitted under the Indentures governing the Notes, and these agreements may be secured by pledges of our cash and other assets as permitted under the Indentures. If we were unable to provide such collateral, it could constitute a default under such agreements.

In June 2016, we entered into the GS ISDA Agreement with Goldman Sachs International, our obligations under which are guaranteed by the Subsidiary Guarantors under the GS Guarantee and secured by the Collateral. In May 2017, we entered into the DB ISDA Agreement with Deutsche Bank AG, our obligations under which are guaranteed by the Subsidiary Guarantors under the DB Guarantee and secured by the Collateral. Going forward, we may enter into further swap arrangements that require us to provide guarantees and security. Any default or

termination under such swap arrangements could result in cross defaults under our other debt agreements or bond indentures, leading to enforcement of the Collateral.

We may not be able to repurchase the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes or the Notes upon a change of control triggering event

We must offer to purchase the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes and 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 “Description of the Notes,” “Description of other material indebtedness—2023 Notes—Change of control,” “Description of other material indebtedness—2021 Notes—Change of control,” “Description of other material indebtedness—Private Notes—Change of control”, “Description of other material indebtedness—2020 Notes—Change of control,” “Description of other material indebtedness—September 2023 Notes—Change of control,” “Description of other material indebtedness—2026 Notes—Change of control,” “Description of other material indebtedness—2022 Notes—Change of control” and “Description of other material indebtedness—November 2018 Notes—Change of control.”

The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have enough available funds at the time of the occurrence of any change of control triggering event to make purchases of the outstanding 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes or the Notes. Our failure to make the offer to purchase or purchase the outstanding 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes or the Notes would constitute an event of default under the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes and the Notes, respectively. 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 or otherwise satisfy our obligations under the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes and the Notes and repay the debt.

In addition, the definition of change of control triggering event for purposes of the indentures governing the Notes does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations, although these types of transactions could increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of change of control triggering event for purposes of the indentures governing the Notes also includes a phrase relating to the sale of “all or substantially all” of our assets. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes and the Notes, and the ability of a holder of the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes or 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.

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

In light of land prices, the capital intensive nature of land acquisitions, sizes of projects, the competitive landscape and other factors, we may from time to time consider developing properties jointly with other property developers. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries under the Indentures governing the Notes. Although the Indentures governing the Notes restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or joint ventures, these restrictions are subject to important exceptions and qualifications, in particular, in Unrestricted Subsidiaries that are engaged in non-residential property businesses. See the section entitled "Certain covenants—Limitation on Restricted Payments" and the definition of "Permitted Investment" in "Description of the Notes." As of the date of this offering memorandum, we have designated a number of Unrestricted Subsidiaries. See "Corporate Structure."

Under the terms of the Notes, we are not subject to the restrictions related to "Permitted Business"

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

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 laws or certain other circumstances, including any change or interpretation or the stating of an official position that results in our being required to withhold tax on interest payments as a result of our being treated as a PRC "resident enterprise," we may redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

The insolvency laws of the Cayman Islands and other local insolvency laws may differ from U.S. bankruptcy laws or those of another jurisdiction with which the holders of the Notes are familiar

Because we are incorporated under the laws of the Cayman Islands, an insolvency proceeding relating to us, even if brought in the United States, may involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of United States federal bankruptcy law. In addition, the Subsidiary Guarantors are incorporated in the BVI and the insolvency laws of the BVI may also differ from the laws of the United States or other jurisdictions with which the holders of the Notes are familiar. Also, certain of our subsidiaries are incorporated in other jurisdictions such as Malaysia, Indonesia and Australia and the insolvency laws of these jurisdictions may also differ from the United States or a jurisdiction with which the holders of the Notes are familiar.

We conduct substantially all of our business operations through PRC-incorporated subsidiaries in China. We and our non-PRC 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. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of the United States and other jurisdictions with which the holders of the Notes are familiar. You should analyze the risks and uncertainties in the insolvency of the Cayman Islands, BVI, Malaysia, Australia, the PRC and other jurisdictions applicable to us carefully before you invest in our Notes.

We may be unable to obtain and remit foreign exchange

Our ability to satisfy our obligations under the Notes depends solely upon the ability of our subsidiaries in the PRC to obtain and remit sufficient foreign currency to pay dividends to us. Our PRC subsidiaries receive substantially all of their revenues in Renminbi. Our PRC subsidiaries must present certain documents to SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of the PRC (including, in the case of dividends, evidence that the relevant PRC taxes have been paid). Pursuant to the EIT Law, which became effective in January 1, 2008, if we are deemed a “non-resident enterprise,” dividends distributed to us by our PRC subsidiaries and interest payments made to us by our PRC subsidiaries (to the extent permitted by law) are subject to a 10% withholding tax. Prior to making such interest payments, the relevant PRC subsidiary must also present evidence of payment of 10% withholding tax. If any such PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency, including the failure of SAFE to approve the registration of the relevant intercompany loans or to approve the payments under such loans, the PRC subsidiary will be unable to pay us dividends or interest and principal, when due, on the relevant intercompany loans, which may affect our ability to satisfy our obligations 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 Notes, a substantial amount of indebtedness. Our total borrowings, including bank and other borrowings, receipts under securitization arrangements, the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes,

the September 2023 Notes, the 2026 Notes and the corporate bonds, as of June 30, 2017 was RMB162,432.1 million (US\$23,960.0 million), respectively.

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

- limit our ability to satisfy our obligations under the Notes, the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes, the 2014 Club Loan, the 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan 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 other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increase the cost of additional financing.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. Although the indentures governing the Notes, the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes and the November 2018 Notes, restrict us and our Restricted Subsidiaries from incurring additional debt and contingent liabilities, these restrictions are subject to important exceptions and qualifications. Under the Notes, our ability to incur additional debt is subject to the limitation on indebtedness and preferred stock covenant. Under such covenant, we may incur (i) certain Permitted Indebtedness or (ii) additional indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio is derived by dividing consolidated EBITDA by Consolidated Fixed Charges. Because our definition of Consolidated EBITDA includes our unrealized gains on valuation adjustments on our investment properties, our Consolidated EBITDA and therefore our ability to incur additional debt under such covenant, could be substantially larger when compared to other similarly situated PRC-based issuers of high-yield bonds whose covenant does not typically include unrealized gains in the calculation of their respective consolidated EBITDA. In addition, Consolidated Fixed Charges comprises of Consolidated Interest Expense and dividends paid on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary. Because our definition of Consolidated Interest Expense, with respect to interest accruing on indebtedness of any person other than the Company or any Restricted Subsidiary that is guaranteed by, or secured by a lien on any asset of, the Company or any Restricted Subsidiary only includes interest that has become due and payable by the Company or any Restricted Subsidiary, as the case maybe, our Consolidated Fixed Charges would be substantially lower, and therefore our ability to incur additional debt under such covenant could be substantially larger, when compared to other similarly situated PRC high yield issuers whose covenant typically includes such interest regardless of whether it has become due

and payable by the Company or any Restricted Subsidiary or not. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify.

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

In addition, the terms of the indentures governing the Notes, the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes and the 2022 Notes, prohibit us from incurring additional indebtedness unless we are able to satisfy certain financial ratios, and contain other restrictions. Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios. Certain of our financing arrangements also impose operating and financial restrictions on our business. See "Description of other material indebtedness." Such restrictions in the Notes, the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes and our other financing arrangements may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund needed capital expenditures, or withstand a continuing or future downturn in our business or the economy in general. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes, the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2022 Notes, the November 2018 Notes, the 2026 Notes and other debt.

If we are unable to comply with the restrictions and covenants in our debt agreements, the indentures governing the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes, the Notes, the credit agreement governing the 2014 Club Loan or the facility agreement governing the 2015 Club Loan, the 2016 Club Loan and the 2017 Club Loan, there could be a default under the terms of these agreements, which could cause repayment of our debt to be accelerated

If we are unable to comply with the restrictions and covenants in the Indentures governing the Notes, or our current or future debt and other agreements (including the indentures governing the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes, the credit agreement governing the 2014 Club Loan or the facility agreement governing the 2015 Club Loan, the 2016 Club Loan and the 2017 Club Loan), there could be a default under the terms of these agreements. Under the terms of the credit agreement governing the 2014 Club Loan, the 2015 Club Loan, the 2016 Club Loan and the 2017 Club Loan, it is also required that Mr. Yeung Kwok Keung or Ms. Yang Huiyan remain as our chairperson, individually or collectively remain the largest beneficial owner of our issued share capital among others. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate the debt and declare all

amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the indentures governing the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes, the Notes, the credit agreement governing the 2014 Club Loan and the facility agreement governing the 2015 Club Loan, the 2016 Club Loan and the 2017 Club Loan, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of debt, including the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes, the Notes, the 2014 Club Loan, the 2015 Club Loan, the 2016 Club Loan and the 2017 Club Loan, or result in a default under our other debt agreements. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

Our operations are restricted by the terms of the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes, and 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 indentures governing the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes, and the Notes include a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our restricted subsidiaries, to:

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

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

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

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

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

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

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

The Notes are expected to be rated BBB- 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. Additionally, we have been rated BB with a positive outlook by Standard & Poor's Ratings Services, Ba1 with a stable outlook by Moody's Investors Service and BBB- with a stable outlook by Fitch Ratings. On March 23, 2017, Moody's issued an announcement, which reiterated our credit rating of Ba1 with a stable outlook. Moody's noted that our weakened credit metrics for 2016 were in line with their expectations but that the increase in gross debt leverage is mitigated by our robust operating performance and improved financial flexibility. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

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. Changes in our revenues, earnings and cash flows and proposals of new investments, strategic alliances or acquisitions, interest rates, prices for comparable companies, government regulations 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 volume and price at which the Notes will trade. We cannot assure you that these developments will not occur in the future.

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

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

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

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, our financial statements are prepared and presented in accordance with HKFRS, which differ in certain respects from the generally accepted accounting principles in other jurisdictions which might be material to the financial information contained in this offering memorandum. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between HKFRS and other GAAP.

Certain transactions that constitute “connected transactions” under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) will not be subject to the “Limitation on transactions with shareholders and affiliates” covenant

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

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

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

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

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

The Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the Notes represented by global notes will trade in book-entry form only, and the Notes in definitive registered form, or definitive registered notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of the Notes. The nominee of the common depositary for Euroclear and Clearstream will be the sole registered holder of the global note

representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global note 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 note 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, and 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 a holder of Notes under the Indentures.

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

Risks relating to the Subsidiary Guarantees and the Collateral

Our initial Subsidiary Guarantors do not currently have significant operations

Although we conduct substantially all of our business operations through our PRC subsidiaries, none of our current PRC subsidiaries will provide a Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. No future subsidiaries that may be organized under the laws of the PRC, or what are not permitted by applicable law or regulation to guarantee the Notes (the "Exempted Subsidiaries"), will provide a Subsidiary Guarantee at any time in the future. Moreover, the Notes will not be guaranteed by certain Non-Guarantor Subsidiaries and under the terms of the Indentures Subsidiary Guarantors may be able to release their Subsidiary Guarantees subject to certain conditions and become Non-Guarantor Subsidiaries. In addition, certain of our offshore subsidiaries are permitted to not guarantee the Notes and have their capital stock pledged to secure the notes, if the consolidated assets of all these subsidiaries (other than the Exempted Subsidiaries) do not exceed 20% of our total assets, or if the applicable law or regulation does not allow such guarantee or pledge. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries and other Non-Guarantor Subsidiaries. In addition, the Collateral will not include the capital stock of our existing or future PRC subsidiaries.

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

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

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

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

- (1) incurred the debt with the intent to hinder, delay or defraud creditors (whenever the transaction took place, and irrespective of insolvency);
- (2) put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given; or
- (3) received no consideration, or received consideration in money or money's worth that is significantly less than the consideration supplied by the guarantor.

In the case of (2) and (3) above, a guarantee will only be voidable if it was entered into at a time when the guarantor was insolvent, or if it became insolvent as a consequence of doing so. Insolvency in this context under BVI law means that the guarantor is unable to pay its debts as they fall due. Additionally, a guarantee will only be voidable if it is given within the six-month period preceding the commencement of liquidation or within the two-year period, if the guarantor and the beneficiary are connected entities.

The measure of insolvency for purposes of the foregoing will vary depending on the laws of the jurisdiction which are being applied. Generally, however, a guarantor would be considered insolvent at a particular time if it were unable to pay its debts as they fell due or if the sum of its debts was then greater than all of its property at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities on its existing debt 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 guarantors. In such case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder were incurred for less than reasonably equivalent value or fair consideration.

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees will be limited to the maximum amount that can be guaranteed by the applicable Subsidiary

Guarantor without rendering the guarantee, as it relates to such Subsidiary Guarantor, voidable under such applicable insolvency or fraudulent transfer laws. We cannot assure you that such limitation will be effective in preserving the enforceability of any of the Subsidiary Guarantees.

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

The charge of certain Collateral may in certain circumstances be voidable

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

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

The value of the Collateral will likely not be sufficient to satisfy our obligations under the Notes

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

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

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

Subject to the Intercreditor Agreement, the Collateral will be shared on a *pari passu* basis by the holders of the Notes, the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes, the lenders of the 2014 Club Loan, the lenders of the 2015 Club Loan, the lenders of the 2016 Club Loan, the lenders of the 2017 Club Loan, Goldman Sachs International and Deutsche Bank AG. Accordingly, in the event of a default on the Notes, the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes, the 2014 Club Loan, the 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan, the GS Hedging Obligations, the DB Hedging Obligations and a foreclosure on the Collateral, any foreclosure proceeds would be shared by holders of secured indebtedness in proportion to the outstanding amounts of each class of secured indebtedness. The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors is unlikely to be sufficient to satisfy the Company's and each of the Subsidiary Guarantor Pledgors' obligations under the Notes, the Subsidiary Guarantees and other *pari passu* secured indebtedness, and the Collateral securing the Notes and such Subsidiary Guarantee may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and the disposition of assets comprising the Collateral, subject to the terms of the Indentures and the Intercreditor Agreement.

The pledge of certain Collateral may be released under certain circumstances

If we dispose of not less than 20% of the shares of a Subsidiary Guarantor, the Subsidiary Guarantees provided by such Subsidiary Guarantor and its subsidiaries, and the Collateral comprising the shares of these companies, may be released if the consolidated assets of our non-PRC subsidiaries (other than Exempted Subsidiaries) that do not guarantee the Notes do not account for more than 20% of our total assets immediately following such release. As a result, in the event we sell minority equity interests in our Subsidiary Guarantors in accordance with the terms of the Indentures, the Collateral will be reduced in value and scope, and holders of the Notes would be subject to increased risks.

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

If so instructed by the holders of the Notes, the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes, the lenders of the 2014 Club Loan, the lenders of the 2015 Club Loan, the lenders of the 2016 Club Loan, the lenders of the 2017 Club Loan, Goldman Sachs International, Deutsche Bank AG or other permitted *pari passu* secured indebtedness (or their trustees or representatives) given under and in accordance with the Intercreditor Agreement, the Intercreditor/Collateral Agent is required to take action to enforce the Collateral. Any such enforcement action will adversely affect our entitlement to receive dividend or other distributions from the Collateral, which will, in turn, have an adverse impact on our ability to fulfill our payment obligations under the Notes. Similarly, the Subsidiary Guarantors' ability to pay under the Subsidiary Guarantees will be adversely affected.

The Intercreditor Agreement limits the ability of holders of the Notes to enforce the Collateral, as only the Intercreditor/Collateral Agent is permitted to take enforcement actions. The Intercreditor/Collateral Agent, pursuant to the Intercreditor Agreement, the Security Documents and underlying indentures, has duties with respect to the Collateral pledged, assigned or

granted. Under certain circumstances, such duties may conflict with the interests of the holders of the Notes and other secured parties.

If an Event of Default occurs under the Notes, the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes, the 2014 Club Loan, the 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan, the GS Hedging Obligations, the DB Hedging Obligations or other permitted pari passu secured indebtedness, the holders of such indebtedness must decide whether to take any enforcement action with respect to the Collateral. Thereafter they may, through their respective trustee or representative, instruct the Intercreditor/Collateral Agent to take such action pursuant to the terms of the Intercreditor Agreement and the Security Documents. Such action may be adverse to holders of the Notes. In that event, the holders of the Notes would retain only the remedy to sue for payment on the Notes and the Subsidiary Guarantees.

Use of proceeds

We estimate that the net proceeds from this offering, after deducting the underwriting discount and other estimated expenses payable by us in connection with this offering will be approximately US\$839.3 million. We intend to use the net proceeds from this offering for the early redemption of the 2023 Notes and for general working capital purposes.

Capitalization

The following table sets forth on an actual basis our consolidated cash and cash equivalents and capitalization as of June 30, 2017 and as adjusted to give effect to the Notes now being issued after deducting the discounts and commission and other estimated expenses of this offering. The following table should be read in conjunction with the selected consolidated financial and other data, the audited consolidated financial statements, the unaudited interim condensed consolidated financial information and related notes included elsewhere in this offering memorandum. Except as otherwise disclosed in this offering memorandum, there has been no material change in our capitalization since June 30, 2017.

(in millions)	As of June 30, 2017			
	Actual		As Adjusted	
	(RMB)	(US\$)	(RMB)	(US\$)
Cash and cash equivalents⁽¹⁾	110,113.1	16,242.5	115,803.0	17,081.8
Short-term borrowings				
Bank and other borrowings	26,847.8	3,960.3	26,847.8	3,960.3
Receipts under securitization arrangements	6,642.5	979.8	6,642.5	979.8
Corporate bonds	13,311.4	1,963.5	13,311.4	1,963.5
Senior Notes	469.0	69.2	469.0	69.2
Total short-term borrowings ⁽²⁾⁽³⁾	47,270.7	6,972.8	47,270.7	6,972.8
Long-term borrowings⁽³⁾⁽⁴⁾⁽⁵⁾				
Bank and other borrowings	62,136.0	9,165.5	62,136.0	9,165.5
2023 Notes, 2021 Notes, Private Notes, 2020 Notes, September 2023 Notes, 2026 Notes	28,101.0	4,145.1	28,101.0	4,145.1
Notes to be issued	-	-	5,689.9	839.3
Corporate bonds	24,924.4	3,676.5	24,924.4	3,676.5
Total long-term borrowings	115,161.4	16,987.1	120,851.3	17,826.4
Equity attributable to owners of the Company				
Issued share capital ⁽⁶⁾	2,008.7	296.3	2,008.7	296.3
Share premium	23,407.8	3,452.8	23,407.8	3,452.8
Treasury shares	(380.2)	(56.1)	(380.2)	(56.1)
Other reserves	4,921.4	725.9	4,921.4	725.9
Retained earnings	48,444.1	7,145.9	48,444.1	7,145.9
Total equity attributable to owners of the Company	78,401.8	11,564.9	78,401.8	11,564.9
Total capitalization⁽⁷⁾	240,833.9	35,524.8	246,523.8	36,364.1

Notes:

(1) Cash and cash equivalents exclude restricted cash of RMB10,016.5 million (US\$1,477.5 million).

(2) Short-term borrowings include the current portion of long-term bank and other borrowings, receipts under securitization arrangements of RMB26,847.8 million and corporate bonds of RMB13,311.4 million.

(3) As of June 30, 2017, our contingent liabilities, most of which were in the form of guarantees that we have provided to our customers in relation to their purchase of our properties, amounted to approximately RMB242,086.5 million (US\$35,709.7 million). See "Management's discussion and analysis of financial conditions and results of operations—Liquidity and capital resources—Contingent liabilities" and "—Capital commitments."

(4) Long-term borrowings include bank and other borrowings, senior notes and corporate bonds, and exclude the current portion of long-term borrowings.

(5) Subsequent to June 30, 2017, we have, in the ordinary course of business, entered into additional financing arrangement to finance our property developments and for general corporate purposes. These additional borrowings are not reflected in the table above. See "Description of other material indebtedness."

(6) Subsequent to June 30, 2017, we have on different dates been buying back our shares. The capitalization table above has not been adjusted to reflect our various share purchases.

(7) Total capitalization equals total short-term borrowings and total long-term borrowings plus equity attributable to owners of the Company.

We continue to enter into short-term and long-term borrowings in the ordinary course of business, such as construction and project loans. In addition, we may from time to time enter into other financing arrangements, such as corporate bonds, securitization arrangements, offshore facilities, trust financing arrangements and perpetual loan arrangements. See “Management’s discussion and analysis of financial condition and results of operations—Liquidity and capital resources—Capital resources” and “Description of other material indebtedness.” For example, subsequent to June 30, 2017, we issued the 2022 Notes and the November 2018 Notes and incurred the 2017 Club Loan. See “Description of other material indebtedness.” We may continue to incur additional indebtedness through bank borrowings or issuance of debt securities or otherwise in the ordinary course of business.

Selected consolidated financial and other data

The following tables present our selected financial and other data. The selected financial data as of and for each of the fiscal years ended December 31, 2014, 2015 and 2016 (except for EBITDA data) is derived from our audited consolidated financial statements as of and for the years ended December 31, 2015 and 2016 and included elsewhere in this offering memorandum. The summary financial data as of and for each of the six months ended June 30, 2016 and 2017 (except for EBITDA data) is derived from our unaudited but reviewed interim condensed consolidated financial information as of and for the six months ended June 30, 2017 and included elsewhere in this offering memorandum. Results of interim period are not indicative of the results for the full year. Our financial information has been prepared and presented in accordance with HKFRS, which differ in certain material respects from generally accepted accounting principles in other jurisdictions. The summary financial data below should be read in conjunction with “Management’s discussion and analysis of financial condition and results of operations” and the consolidated financial information and the related notes included elsewhere in this offering memorandum.

Selected consolidated statement of comprehensive income information

(in millions, except percentages)	For the year ended December 31,				For the six months ended in June 30, 2017	
	2014	2015	2016	2016	2017	2017
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(US\$)
Revenue	84,548.8	113,222.6	153,087.0	22,581.5	77,737.8	11,466.9
Cost of sales	(62,493.7)	(90,359.3)	(120,850.9)	(17,826.5)	(60,641.2)	(8,945.1)
Gross profit	22,055.1	22,863.3	32,236.1	4,755.1	17,096.5	2,521.9
Other income and gains—net	186.0	424.0	1,530.5	225.8	1,693.0	249.7
Gains arising from changes in fair value of and transfer to investment properties	1,880.0	809.8	711.6	105.0	159.5	23.5
Selling and marketing costs	(4,356.2)	(4,688.7)	(7,383.6)	(1,089.1)	(3,337.3)	(492.3)
Administrative expenses	(3,159.9)	(3,230.0)	(4,970.4)	(733.2)	(4,038.3)	(595.7)
Operating profit	16,605.0	16,178.4	22,124.2	3,263.5	11,573.3	1,707.2
Finance income	254.7	221.1	532.9	78.6	830.5	122.5
Finance costs	(450.3)	(1,510.6)	(1,628.2)	(240.2)	-	-
Finance costs—net	(195.6)	(1,289.5)	(1,095.3)	(161.6)	830.5	122.5
Share of results of joint ventures and associates	(40.3)	(55.8)	361.7	53.4	6.1	0.9
Profit before income tax	16,369.1	14,833.1	21,390.6	3,155.3	12,410.0	1,830.6
Income tax expenses	(5,757.2)	(5,121.4)	(7,727.3)	(1,139.8)	(4,036.6)	(595.4)
Profit for the year/period	10,611.9	9,711.7	13,663.2	2,015.4	8,373.4	1,235.1
Other comprehensive income:						
Items that will not be reclassified subsequently to profit or loss:						
—Revaluation gains on properties upon transfer from property, plant and equipment and land use rights to investment properties, net of tax ⁽¹⁾	1,464.2	-	-	-	-	-
—Change in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	45.9	6.8	32.5	4.8
Items that may be reclassified to profit or loss:						
—Change in fair value of available-for-sale financial assets, net of tax	2.3	4.7	-	-	-	-
—Deferred gains on cash flow hedges, net of tax	-	-	90.0	13.3	(59.6)	(8.8)
—Deferred costs of hedging, net of tax	-	-	(295.9)	(43.6)	416.3	61.4
—Currency translation differences	6.5	(899.0)	299.5	44.2	(174.8)	(25.8)
Other comprehensive income/(loss) for the year, net of tax	1,473.0	(894.3)	139.5	20.6	214.3	31.6
Total comprehensive income for the year, net of tax	12,084.9	8,817.4	13,802.7	2,036.0	8,587.7	1,266.8
Profit attributable to:						
—Owners of the Company	10,229.2	9,276.5	11,516.8	1,698.8	7,501.4	1,106.5
—Non-controlling interests	382.7	435.2	2,146.4	316.6	872.0	128.6
	10,611.9	9,711.7	13,663.2	2,015.4	8,373.4	1,235.1
Total comprehensive income attributable to:						
Owners of the Company	11,700.2	8,453.4	11,585.2	1,708.9	7,777.0	1,147.2
Non-controlling interests	384.7	364.0	2,217.5	327.1	810.8	119.6
	12,084.9	8,817.4	13,802.7	2,036.0	8,587.7	1,266.8
Dividends	3,001.9	2,912.2	3,733.9	550.8	3,205.9	472.9
Other Financial Data (unaudited)						
EBITDA ⁽¹⁾	17,174.9	15,860.6	21,949.2	3,237.7	12,836.2	1,893.4
EBITDA Margin ⁽²⁾	20.3%	14.0%	14.3%	14.3%	16.5%	16.5%

Notes:

(1) EBITDA for any period consists of operating profit plus interest income, depreciation expenses of property, plant and equipment and investment property and amortization of land use rights and intangible assets, net of exchange gains or losses. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as 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 service debt and pay taxes. EBITDA presented herein may not be comparable to similarly

titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See “Management’s discussion and analysis of financial condition and results of operations—Non-GAAP financial measures” for a reconciliation of our profit for the year under HKFRS to our definition of EBITDA. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indentures governing the Notes. See “Description of the Notes—Definitions” for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indentures governing the Notes.

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

Selected consolidated statement of financial position information

(in millions)	As of December 31,				As of June 30,	
	2014	2015	2016	2016	2017	2017
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(US\$)
Non-current assets						
Property, plant and equipment	18,642.5	20,019.8	20,877.0	3,079.5	21,798.7	3,215.5
Investment properties	7,035.6	8,686.3	9,773.4	1,441.7	9,374.9	1,382.9
Intangible assets	29.2	121.5	239.4	35.3	301.4	44.5
Land use rights	2,034.5	2,052.2	2,536.5	374.2	2,518.5	371.5
Properties under development	44,638.7	52,727.1	52,342.4	7,720.9	60,529.9	8,928.6
Investment in joint ventures	21.4	803.9	7,311.2	1,078.5	9,319.1	1,374.6
Investment in associates	34.5	884.5	3,873.3	571.3	6,078.3	896.6
Financial assets at fair value through other comprehensive income	-	-	870.7	128.4	861.1	127.0
Available-for-sale financial assets	208.7	215.0	-	-	-	-
Derivative financial instruments	-	-	1,034.4	152.6	691.6	102.0
Trade and other receivables	-	643.0	55.5	8.2	6,478.7	955.7
Deferred income tax assets	2,770.1	3,786.9	7,822.3	1,153.9	10,802.8	1,593.5
	75,415.2	89,940.2	106,736.1	15,744.4	128,754.9	18,992.4
Current assets						
Properties under development	105,994.0	135,107.0	216,383.3	31,918.2	295,776.8	43,629.4
Completed properties held for sale	23,203.2	34,114.1	30,885.3	4,555.8	20,704.8	3,054.1
Inventories	2,095.1	1,978.4	2,203.7	325.1	2,641.8	389.7
Trade and other receivables	25,370.9	42,242.1	117,321.7	17,305.9	183,059.4	27,002.7
Contract Assets	-	-	-	-	9,932.2	1,465.1
Prepaid taxes	8,739.7	9,490.4	14,042.3	2,071.3	25,111.7	3,704.2
Restricted cash	8,453.5	11,637.1	11,844.0	1,747.1	10,016.5	1,477.5
Cash and cash equivalents	18,760.6	36,240.8	84,646.9	12,486.1	110,113.1	16,242.5
Financial assets at fair value through profit or loss	-	1,188.1	7,321.2	1,079.9	8,517.3	1,256.4
Derivative financial instruments	-	18.0	187.1	27.6	39.3	5.8
	192,617.0	272,016.1	484,835.5	71,517.0	665,912.8	98,227.4
Current liabilities						
Advanced proceeds received from customers	91,792.5	96,516.1	192,408.9	28,381.8	-	-
Contract Liabilities	-	-	-	-	270,042.7	39,833.4
Trade and other payables	40,925.0	73,385.2	151,789.3	22,390.1	234,723.3	34,623.5
Receipts under securitization arrangements	-	-	7,043.4	1,039.0	6,642.5	979.8
Current income tax liabilities	8,976.1	8,905.4	15,310.4	2,258.4	16,892.0	2,491.7
Senior notes	2,538.8	-	-	-	469.0	69.2
Corporate bonds	-	-	8,207.5	1,210.7	13,311.4	1,963.5
Dividend Payable	-	-	-	-	2,176.7	321.1
Bank and other borrowings	12,390.7	22,778.0	30,512.7	4,500.9	26,847.8	3,960.3
Derivative financial instruments	-	10.2	41.8	6.2	97.5	14.4
	156,623.0	201,594.9	405,314.0	59,787.0	571,203.0	84,256.9
Net current assets	35,994.0	70,421.2	79,521.5	11,730.0	94,709.8	13,970.4
Total assets less current liabilities	111,409.2	160,361.4	186,257.6	27,474.5	223,646.7	32,989.6
Non-current liabilities						
Senior notes	19,735.0	20,878.2	29,264.4	4,316.7	28,101.0	4,145.1
Corporate bonds	-	15,258.5	29,502.1	4,351.8	24,924.4	3,676.5
Bank and other borrowings	26,404.3	30,829.1	38,710.1	5,710.0	62,136.0	9,165.5
Deferred government grants	239.5	239.5	237.4	35.0	236.0	34.8
Deferred income tax liabilities	2,588.0	3,815.7	6,928.3	1,022.0	13,710.5	2,022.4
Derivative financial instruments	-	-	-	-	53.0	7.8
	48,966.8	71,021.0	104,642.4	15,435.6	129,161.0	19,052.3
Equity attributable to owners of the Company						
Share capital and premium	24,262.0	29,212.6	25,677.2	3,787.6	25,036.2	3,693.0
Other reserves	4,243.4	3,942.1	4,484.0	661.4	4,921.4	725.9
Retained earnings	28,180.7	32,136.0	39,967.1	5,895.5	48,444.1	7,145.9
	56,686.2	65,290.7	70,128.4	10,344.5	78,401.7	11,564.9
Non-controlling interests	5,756.2	24,049.7	11,486.8	1,694.4	15,902.0	2,345.7
Total equity	62,442.4	89,340.4	81,615.2	12,038.9	94,303.7	13,910.5
Total equity and non-current liabilities	111,409.2	160,361.4	186,257.6	27,474.5	223,646.7	32,989.6

Management's discussion and analysis of financial condition and results of operations

The following discussion should be read in conjunction with our consolidated financial information together with the accompanying notes included elsewhere in this offering memorandum. Our consolidated financial statements were prepared in accordance with HKFRS.

This section includes forward-looking statements that involve risks and uncertainties. All statements, other than statements of historical facts, included in this section that address activities, events or developments which we expect or anticipate will or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses we made in light of experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances.

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 "associate" or "associates" and "joint venture" or "joint ventures" in this section are to associates and joint ventures as respectively defined in HKFRS.

Overview

We are one of the leading integrated property developers in the PRC, with substantially all of our assets and operations based in the PRC. Since the commencement of our property development activities in 1997, we have benefited from, and we expect to continue to benefit from, the growth in the property sector associated with the economic development in the PRC, particularly in Guangdong Province, which is one of the most affluent provinces and fastest growing economies in the PRC. Our primary business has been the development of large-scale residential community projects and the sale of various types of properties, including townhouses, apartment buildings, parking spaces and retail shops. The majority of our products are targeted towards end-user customers. As an integrated property developer, our lines of business also include construction, installation, fitting and decoration as well as property management. Our residential home projects are generally located in the suburban areas of first-tier cities and in the newly urbanized town centers of second- and third-tier cities. In December 2011 and October 2013, we expanded our operations into Malaysia and Australia, respectively. During the first quarter of 2017, we started construction of our first project in Indonesia.

As of June 30, 2017, we had 965 projects at various stages of development. Of these projects, 314 were located in Guangdong Province: 41 in Guangzhou City, 41 in Dongguan City, 34 in Foshan City, 25 in Jiangmen City, 40 in Huizhou City, 16 in Zhaoqing City, 14 in Meizhou City, 17 in Zhongshan City and the remaining in various other cities. We also had 651 projects located outside Guangdong Province, spanning 21 provinces, three autonomous regions, four municipalities in the PRC as well as one projects in the State of Selangor, Malaysia, three projects in the State of Johor, Malaysia, one project in Bali, Indonesia and one project in Sydney, Australia.

As of June 30, 2017, our projects had an aggregate saleable completed GFA of approximately 106,851,654 sq.m. We had an aggregate saleable GFA under development of approximately 88,302,841 sq.m. and an aggregate saleable GFA of approximately 85,597,334 sq.m. relating to properties held for future development as of the same date. We have obtained land use rights

certificates, development and operation rights or land title in respect of the completed GFA, GFA under development and GFA held for future development. In addition, as of June 30, 2017, we had entered into land grant contracts or sale and purchase agreements in respect of land located in 93 cities in the PRC with an aggregate site area of approximately 18,418,270sq.m. and an aggregate expected GFA of approximately 35,358,025 sq.m. for future development.

We also develop hotels to complement our residential properties. Most of these hotels are located in our large-scale residential community projects, which we believe have added value to such residential projects and enhanced our brand recognition. As of June 30, 2017, we had developed and were operating eight five-star hotels and two four-star hotels, 39 hotels which were developed in accordance with the five-star rating standard set forth in the “Star-Rating Standard for Tourist Hotels” (旅遊飯店星級的劃分與評定) issued by the PRC National Tourism Administration and four hotels which were developed in accordance with the four-star standard of the “Star-Rating Standard for Tourist Hotels.” In addition, we had seven hotels under construction in accordance with the five-star rating standard and two hotel under construction in accordance with the four-star rating standard set forth in the “Star-Rating Standard for Tourist Hotels.”

Certain profit or loss items

Revenue

Our revenue comprises primarily of proceeds from the sale of properties and provision of services after the elimination of intra-group transactions. Our revenue is primarily generated from our five business segments, consisting of property development, construction, fitting and decoration, property investment, property management and hotel operation.

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

	For the year ended December 31,						For the six months ended June 30,	
	2014		2015		2016		2017	
	Amount (RMB in thousands)	Percentage of total revenue %	Amount (RMB in thousands)	Percentage of total revenue %	Amount (RMB in thousands)	Percentage of total revenue %	Amount (RMB in thousands)	Percentage of total revenue %
Property development	81,897,856	96.9	109,460,370	96.7	148,180,135	96.8	74,474,618	95.8
Construction, fitting and decoration . . .	467,872	0.6	746,355	0.7	1,143,012	0.7	1,105,801	1.4
Property Investment	86,714	0.1	91,747	0.1	97,136	0.6	76,167	0.1
Property management	964,066	1.1	1,469,307	1.3	1,959,060	1.3	1,207,814	1.6
Hotel operation	1,132,295	1.3	1,454,861	1.3	1,707,634	1.1	873,354	1.1
Total	84,548,803	100.0	113,222,640	100.0	153,086,977	100.0	77,737,754	100.0

Revenue from property development represents proceeds from the sale of our properties. As we derive a substantial amount of our total revenue from the property development segment, our results of operations for a given period are dependent upon the type and GFA of properties we have completed during that period, the market demand for those properties and the price we are able to obtain for such properties. Conditions in the property markets in which we operate

change from period to period and are significantly affected by the general economic, political and regulatory developments in the PRC. See “—Key factors affecting our performance.”

Before December 31, 2016, we recognize revenue from the sales of properties when the construction has been completed and the properties have been delivered to the purchasers with the collectability of related receivables reasonably assured. From January 1, 2017 onwards, the Group has adopted HKFRS 15. Revenues are recognized when or as the control of the asset is transferred to the customer. If control of the asset transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the asset. For each of the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, we recognized revenue of RMB81,897.9 million, RMB109,460.4 million, RMB148,180.1 million (US\$21,857.7 million) and RMB74,474.6 million (US\$10,985.6 million).

Consistent with customary practice in the property development industry in the PRC, after satisfying the conditions for pre-sales according to PRC laws and regulations, we typically enter into purchase contracts with customers while the properties are still under development. See “Business—Property development—Pre-sales.” Generally there is a time difference typically ranging from several months to one year between the time we commence pre-selling of properties under development and the delivery of properties to the purchasers. Under HKFRS 15, properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customer for performance completed to date, the Group recognizes revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress. The excess of cumulative revenue recognized in profit or loss over the cumulative billings to purchasers of properties is recognized as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognized in profit or loss is recognized as contract liabilities.

Revenue from construction services is recognized in the accounting period in which the services are rendered by reference to completion of the specific transaction and assessed on the basis of the contract costs incurred up to the end of the reporting period as a percentage of the total estimated costs for each contract. Revenue from decoration, property management and hotel operation is recognized in the accounting period in which the services are rendered. The revenue generated by certain of our subsidiaries comprising the construction, fitting and decoration, property management and hotel operation segments from services provided to our projects is eliminated in our consolidated financial statements. For each of the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, our construction, fitting and decoration segment generated revenue of RMB467.9 million, RMB746.4 million, RMB1,143.0 million (US\$168.6 million) and RMB1,105.8 million (US\$163.1 million), respectively; our property management segment generated revenue of RMB964.1 million, RMB1,469.3 million, RMB1,959.1 million (US\$289.0 million) and RMB1,207.8 million (US\$178.2 million), respectively; and our hotel operation segment generated revenue of RMB1,132.3 million, RMB1,454.9 million, RMB1,707.6 million (US\$251.9 million) and RMB873.4 million (US\$128.8 million), respectively. As of June 30, 2017, the total GFA of the investment properties held amounted to approximately 1.1 million sq.m., and the fair value of these investment properties amounted to RMB9,374.9 million (US\$1,382.9 million), including RMB8,046.8 million (US\$1,187.0 million) of completed investment properties and RMB1,328.1 million (US\$195.9 million) of investment properties under construction. For each of the years ended December 31, 2014, 2015 and 2016

and the six months ended June 30, 2017, our property investment segment generated revenue of RMB86.7 million, RMB91.7 million, RMB97.1 million (US\$14.3 million) and RMB76.2 million (US\$11.2 million), respectively.

Cost of sales

Cost of sales comprises the costs incurred from our five business segments. The table below sets forth the cost of sales by segments and their percentage of the total cost of sales:

	For the year ended December 31,				For the six months ended June 30,			
	2014		2015		2016		2017	
	Amount (RMB in thousands)	Percentage of total cost of sales %	Amount (RMB in thousands)	Percentage of total cost of sales %	Amount (RMB in thousands)	Percentage of total cost of sales %	Amount (RMB in thousands)	Percentage of total revenue %
Property development	60,081,424	96.1	87,621,756	97.0	117,182,797	97.0	58,225,174	96.0
Construction, fitting and decoration	412,730	0.7	560,304	0.6	915,035	0.7	986,253	1.6
Property Investment	-	-	-	-	-	-	41,173	0.1
Property management	1,058,005	1.7	1,012,853	1.1	1,553,529	1.3	786,009	1.3
Hotel operation	941,511	1.5	1,164,428	1.3	1,199,530	1.0	602,600	1.0
Total	62,493,670	100.0	90,359,341	100.0	120,850,891	100.0	60,641,209	100.0

Cost of sales represents primarily the costs we incur directly for our property development activities which include construction, decoration and design costs, land use rights cost and business taxes and levies.

The table below sets forth for the periods indicated, the components of our cost of properties sold, and the percentage of the cost of properties sold represented by each component.

	For the year ended December 31,				For the six months ended June 30,			
	2014		2015		2016		2017	
	Amount (RMB in thousands)	Percentage of total cost of sales %	Amount (RMB in thousands)	Percentage of total cost of sales %	Amount (RMB in thousands)	Percentage of total cost of sales %	Amount (RMB in thousands)	Percentage of total revenue %
Construction, decoration and design costs	45,121,102	75.1	66,590,644	76.0	88,453,067	75.5	45,288,578	77.8
Land use rights cost	10,418,114	17.3	14,853,771	17.0	22,772,714	19.4	11,379,501	19.5
Business taxes and levies	4,542,208	7.6	6,177,341	7.0	5,957,016	5.1	1,557,095	2.7
Total	60,081,424	100.0	87,621,756	100.0	117,182,797	100.0	58,225,174	100.0

Properties under development are stated at the lower of cost and net realizable value. Net realizable value takes into account the price ultimately expected to be realized and the anticipated costs to complete the properties. Completed properties remaining unsold at the end of each financial period are stated at the lower of cost and net realizable value.

Construction, decoration and design costs. Construction, decoration and design costs comprise self-construction costs, outsourcing costs, fitting and decoration costs and design costs. The price

of raw materials, the level of complexity of the construction and design and the luxury level in the decoration are the principal factors affecting the average construction costs. Therefore, construction costs of a property project may fluctuate if the conditions of the site require more complex designs and procedures or more expensive materials in order to provide the desired foundation support.

Land use rights cost. Land use rights cost represents costs relating to the acquisition of the rights to occupy, use and develop land, including land premiums, deed taxes and government surcharges and demolition and resettlement cost. The land costs are recognized as part of cost of sales upon the completion and delivery of relevant properties to the purchasers.

VAT. Our PRC subsidiaries are subject to local VAT. The effective VAT rate for each of our sale of properties, construction, fitting and decoration, property investment, property management and hotel service businesses as of June 30, 2017 was 5% and 11%, 3% and 11%, 5% and 11%, 3% and 6% and 3% and 6%, respectively. VAT is levied on the revenue from the sales of properties or rendering of services. Accordingly, the total VAT recognized in our cost of sales increases or decreases along with the movement of revenue recognized.

Other income and gains—net

Other income and gains—net represent other income and gains, including refund of land usage tax and other government grants, gains on disposal of properties under development, income from forfeiture of deposits and advances received from customers, gains arising from negative goodwill, gains on disposal of investment properties and property, plant and equipment and others, net of any loss on disposals of property, plant and equipment and investment properties.

Gains arising from changes in fair value of and transfer to investment properties

Pursuant to a business plan approved by our management in June 2014, we changed the use of certain properties from holding for sale or self-use to earning long-term rental. As a result, certain properties previously categorized as properties under development, completed properties held for sale, property, plant and equipment and land use rights were transferred to investment properties in 2014. These properties were remeasured at their respective fair values upon transfer. In 2014, 2015 and 2016 and the six months ended June 30, 2017, for properties transferred from properties under development and completed properties held for sale to investment properties, the differences between the fair values and carrying amounts upon transfer were recognized in profit or loss as gains arising from changes in fair value of and transfer to investment properties.

Selling and marketing costs

Selling and marketing costs include advertising and promotion expenses relating to sales of properties, selling and marketing staff costs, including selling commissions for our sales staff, and other selling expenses.

Administrative expenses

Administrative expenses include primarily staff costs, materials consumption cost, depreciation, property tax and donations.

Finance costs

Finance costs consist primarily of interest costs as a result of bank borrowings and the issue of senior notes. Finance costs fluctuate from period to period due primarily to fluctuations in our level of outstanding indebtedness, the interest rates on our borrowings and the capitalization of borrowing costs.

Income tax expenses

Enterprise Income Tax. Income tax expense represents PRC enterprise income tax accrued by our operating subsidiaries and provision for LAT. We are an exempted company in the Cayman Islands, and are not subject to Cayman Islands income tax. Our BVI companies holding our PRC subsidiaries are also not subject to BVI income tax. Our PRC subsidiaries are subject to enterprise income tax at a rate of 25% pursuant to the EIT Law.

Pursuant to the EIT Law, dividends distributed by our PRC subsidiaries to us or our non-PRC subsidiaries are subject to a withholding tax of 5% for enterprises incorporated in Hong Kong, subject to approval by the relevant authorities and 10% for enterprises incorporated outside of Hong Kong if we or our non-PRC subsidiaries, as the case may be, are deemed as a “non-resident enterprise.”

LAT. The LAT expense recorded in our statement of comprehensive income for any given period represents the provision and payment for LAT with respect to the recognized revenue in that period.

Under PRC laws and regulations, our PRC subsidiaries engaging in property development are subject to LAT, which is collected by the local tax authorities. All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined in the relevant tax laws, with certain exemptions available for the sale of ordinary standard residential houses if the appreciation value does not exceed 20% of the total deductible items as defined in the relevant tax laws. See “Regulation—Legal supervision relating to property sector in the PRC—H. Major taxes applicable to property developers—(c) Land appreciation tax.” Sales of commercial properties are not eligible for this exemption. Whether a property qualifies for the ordinary standard residential houses exemption is determined by the local government taking into consideration the property’s plot ratio, aggregate GFA and sales price. Sales of properties with higher appreciation values are generally subject to higher LAT rates. On December 28, 2006, the State Administration of Taxation issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (關於房地產開發企業土地增值稅清算管理有關問題的通知) which came into effect on February 1, 2007. Such notice provides further clarifications as to the settlement of LAT. Local provincial tax authorities can formulate their own implementation rules in accordance with the notice and local situation. On May 19, 2010, the SAT issued the Circular on Issues Concerning Settlement of Land Appreciation Tax (關於土地增值稅清算有關問題的通知) to clarify and strengthen the settlement of LAT. Furthermore, on May 25, 2010, the SAT issued the Notice on Strengthening the Collection of Land Appreciation Tax (關於加強土地增值稅徵管工作的通知), which requires that the minimum LAT prepayment rate shall be 2% for provinces in the eastern region, 1.5% for provinces in the central and northeastern regions, and 1% for provinces in the western region. We estimate and make provisions for the full amount of applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations, but only pay a portion of such provisions each year as required by the local tax authorities under prevailing practice.

Our LAT expense for 2014, 2015 and 2016 and the six months ended June 30, 2017 was RMB1,644.9 million, RMB1,111.1 million, RMB3,115.0 million (US\$459.5 million) and RMB1,504.9 million (US\$222.0 million), respectively.

Our effective income tax rate is affected by PRC enterprise income tax expense and LAT as described above. Our effective income tax rate is also affected by expenses incurred outside the PRC, such as the interest and other expenses incurred on the Convertible Bonds and senior notes, which are not deductible for purposes of PRC income tax. Our effective income tax rate was 35.2% in 2014, 34.5% in 2015, 36.1% in 2016 and 32.5% in the six months ended June 30, 2017.

Non-controlling interests

Non-controlling interests represent our profits or losses after taxation that are attributable to minority shareholders of our non-wholly owned subsidiaries.

Key factors affecting our performance

Our business, financial condition and results of operations are affected by a number of factors, many of which are beyond our control, including those set out below.

Economic growth, speed of urbanization and demand for residential properties in China

Economic growth, urbanization and rising standards of living in China have been the main driving forces behind the increasing market demand for residential properties. The growth in demand for residential properties in the PRC, including Guangdong Province, in the last decade has often been coupled with volatility in market conditions and fluctuations in property prices. Developments in the economy and the rate of urbanization have in the past increased the 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. China's rate of economic growth has slowed in recent years, and a portion of continuing economic growth has been driven by increased borrowing by local governments and corporations. During 2016, China's economy grew 6.7% from a year earlier, which was the lowest annual growth rate since 1990. In May 2017, Moody's downgraded China's sovereign credit rating for the first time since 1989 and changed its outlook from negative to stable. See "Risk factors—Risks relating to the PRC—PRC economic, political and social conditions, as well as government policies, could affect our business." Further slowing in China's economic growth (including as a result of measures designed to control liquidity in the economy) could also affect our results of operations. See "Risk factors—Risks relating to our business—We are heavily dependent on the performance of the property market in the PRC, particularly in Guangdong Province, and may be affected by the performance of the property market in other places where we conduct our operations."

The slowdown of the worldwide economy from 2008 to early 2009, including that of China, resulted in the decline in real estate market sentiment, which have adversely affected property demand and average selling prices in many areas of China. In 2010, a financial crisis emerged in Europe, creating concerns about the ability of certain European nations to continue to service their sovereign debt obligations. On August 6, 2011, S&P downgraded the rating for long-term United States debt to "AA+" from "AAA" for the first time in 70 years and on December 1, 2014, Moody's downgraded the debt rating of Japan to "A1" from "Aa3." These events, including the

uncertainties surrounding Brexit, coupled with ongoing political unrest in the Middle East, Eastern Europe and Africa, particularly the crisis in Crimea, have resulted in an environment of macroeconomic uncertainty. It is difficult to determine the impact that any global economic slowdown and financial crisis may have on the property industry in China. If any global economic slowdown or financial market crisis eventuates, continues or worsens, our business prospects, revenues, cash flows and financial condition could be materially and adversely affected.

Regulatory measures in the property industry in China

PRC government policies and measures on property development and related industries have a direct impact on our business and results of operations. From time to time, the PRC government adjusts its macroeconomic control policies to encourage or restrict development in the private property sector through measures relating to, among other things, land grants, pre-sales of properties, bank financing and taxation. The PRC government has continued to increase regulation over the property market since 2010. Policies restricting property purchases were adopted in nearly 50 cities in 2011, as compared to fewer than 25 cities in 2010. In 2012, the PRC government continued to implement selected policies aimed at further cooling the real estate property market, though at the same time, the PRC government implemented selected measures to support the growth of the Chinese economy, such as lowering banks' reserve requirement ratio and reducing benchmark lending rates. On February 20, 2013, the PRC government released five new policies to regulate the real estate market, including new initiatives to control speculative property investments, increase housing and land supply and step up construction of affordable housing. On February 26, 2013, the State Council issued six property tightening measures, which included an income tax levy on homeowners of as high as 20% on profit made from selling their homes. The State Council also stated that local branches of the central bank in certain cities could increase their down payment rate and mortgage loan interest rate for homebuyers purchasing a second unit. Furthermore, the new measures stipulated that non-local families without a certain number of years of tax payment certificates would be banned from buying homes in the cities in which they currently reside. Regulations were also promulgated at various levels to promote affordable housing. Since June 2014, many cities, including those where our property projects are located, have lifted or eased the limitation on the purchase of commodity properties. In 2015, the Ministry of Finance also expanded a business tax exemption to include sellers who have owned their home for as little as two years, rather than the previous minimum of five years. Since 2011, various cities have promulgated measures to further control the property markets. PRC banks also tightened mortgage lending in general, which had affected the demand in the property markets. Since September 2016, certain local governments including without limitation Beijing, Tianjin, Suzhou, Zhengzhou, Jinan, Qingdao, Wuxi, Hefei, Wuhan, Nanjing, Fuzhou, Foshan, Dongguan, Huizhou, Shijiazhuang, Langfang, Baoding, Cangzhou, Chengde, Chengdu, Chuzhou, Changsha, Xiamen, Zhongshan and Hangzhou, have issued new property market control policies, including restoring the restriction on purchases of residential properties and tightening credit policy. PRC regulatory measures in the real estate industry will continue to affect our business and results of operations. See "Regulation—Legal supervision relating to property sector in the PRC," "Risk factors—Risk relating to the property sector in the PRC—The property industry in the PRC is subject to government regulations and policies, which could have the effect of slowing down the industry's growth," "Industry overview—The property industry in the PRC—Property reforms" and "Regulation" for more details.

We are also highly susceptible to any regulations or measures adopted by PBOC that may restrict bank lending to enterprises, particularly to property developers. Moreover, a substantial portion of our purchasers depend on mortgage financing to purchase our properties. Regulations or measures adopted by the PRC government that are intended to restrict the ability of purchasers

to obtain mortgages or that increase the costs of mortgage financing may decrease market demand for our properties and adversely affect our sales revenue. In addition, we are susceptible to any foreign exchange and capital control policies adopted by the PRC government that restricts its citizens from converting its local currency into other currencies for overseas property purchases in order to curb capital outflows, particularly since a substantial portion of the purchasers of some of our overseas projects are, and are expected to continue to be, PRC persons subject to the PRC government's foreign exchange control and capital outflow policies. See "Risk Factors—Risks relating to the PRC—PRC economic, political and social conditions, as well as government policies, could affect our business."

Ability to acquire suitable land for future property development

Our continuing growth will depend in large part on our ability to acquire quality land at prices that can yield reasonable returns. Based on our current development plans, we believe we have sufficient land reserves for property developments for the next three to five years. Assuming that the PRC economy continues to grow at a relatively high speed and demand for residential properties remains strong, we expect that competition among developers for land reserves that are suitable for property development will intensify. In addition, the public tender, auction and listing-for-sale practice in respect of the grant of state-owned land use rights is also likely to increase competition for land development and to increase land acquisition costs. Furthermore, 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 "Regulation." These changes of policy may materially and adversely affect our cash flow and our ability to acquire suitable land for our operations. In addition, as we expand to overseas markets, our ability to obtain suitable land in those markets will also become increasingly important to our operations and liquidity.

Pre-sales

Pre-sales constitute the most important source of our operating cash inflow during our project development process. PRC law allows us to pre-sell properties before their completion upon satisfaction of certain requirements and requires us to use the pre-sales proceeds to develop the projects pre-sold. The amount and timing of cash inflows from pre-sales are affected by a number of factors, including timing and other restrictions on pre-sales imposed by the PRC government, market demand for our properties subject to pre-sales and the number of properties we have available for pre-sale. Reduced cash flow from pre-sales of our properties will increase our reliance on external financing and will affect our ability to finance our continuing property developments.

Access to and cost of financing

Bank borrowing is another important source of funding for our property developments. As of December 31, 2014, 2015 and 2016 and June 30, 2017, our outstanding bank and other borrowings amounted to RMB38,794.9 million, RMB53,607.1 million, RMB69,222.8 million

(US\$10,210.9 million) and RMB88,983.8 million (US\$13,125.8 million), respectively. As commercial banks in China link the interest rates on their bank loans to benchmark lending rates published by PBOC, any increase in such benchmark lending rates will increase the interest costs related to our developments. Our access to capital and cost of financing are also affected by restrictions imposed from time to time by the PRC government on bank lending for property development.

We have also sought financing in the international capital markets through the offerings of the 2014 Notes, the 2017 Notes, the 2015 Notes, the 2018 Notes, the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes and the November 2018 Notes, which generally give us a longer maturity term but bear higher interest rates than bank borrowings. Access to and cost of financing in the international capital markets is subject to a number of factors, including the global economic conditions and liquidity in the credit markets. In addition, we have also sought financing through the issuance of a series of domestic corporate bonds, Islamic medium term notes and receipts under securitization arrangements. See “Description of other material indebtedness.”

Timing of property development

The number of property developments that a developer can undertake during any particular period is limited due to the substantial amount of capital required for land acquisitions and construction costs as well as limited land supply. Property developments may take many months, or possibly years, before any pre-sale occurs. We aim to time the launch of pre-sales of our properties to coincide with strong periods of expected demand. As market demand is not stable, sales revenue in a particular period therefore depends on our ability to gauge the expected demand in the market at the launch time for completion of a particular project. As a result, our results of operations have fluctuated in the past and are likely to continue to fluctuate in the future.

Price volatility of construction materials

Our results of operations are affected by price volatility of construction materials such as steel and cement. The cost of construction materials constitutes the most important item in our construction costs. With a view to achieving economies of scale and lowering our purchase costs, we seek to use centralized procurement for projects undertaken by our own construction companies. However, any increase the cost in construction materials will increase our construction costs. If we cannot pass the increased costs on to our customers, our profitability will suffer.

Changes in product mix

The prices and gross profit margins of our products vary by the types of properties we develop and sell. Our gross profit margin is affected by the proportion of sales revenue attributable to our higher gross margin products compared to sales revenue attributable to lower gross margin products. Typically, our low-density units have commanded higher selling prices and gross profit margins than apartment units. Historically, a substantial portion of the projects we have developed have had low plot ratios, permitting us to increase our sales of low density units. Due to regulations in the PRC, we can no longer develop stand-alone villas on land acquired after May 2006. More recently, we have begun acquiring land with higher plot ratios, which will require us to increase the proportion of apartments that we develop and sell. We believe that we

have a diversified product portfolio, and we are currently developing strategies to address changes in product mix that may result from such higher plot ratios, such as offering decorated apartment products. If we are unable to successfully develop and execute such strategies, our profit margins may decline as the proportion of our sales comprising apartments increases.

LAT

Our property developments are subject to LAT with respect to the appreciated value of the related land and improvements on such land. LAT applies to both domestic and foreign investors of property in China, irrespective of whether they are corporate entities or individual investors. Our LAT expense recognized on our statements of comprehensive income for each of the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 was RMB1,644.9 million, RMB1,111.1 million, RMB3,115.0 million (US\$459.5 million) and RMB1,504.9 million (US\$222.0 million), respectively. We prepay LAT with reference to our pre-sales proceeds and the tax rates set out by local tax authorities. See “Risk factors—Risks relating to our business—The relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations,” “—Certain profit or loss items—Cost of sales” and “—Certain profit or loss items—Income tax expenses.”

Generally, LAT on apartments is lower than LAT on low-density units, as apartments generally have lower selling prices.

Labor costs

In addition, with the overall improvement of living standards in the PRC as well as the PRC government’s recent policies aiming to increase wages of migrant workers, we expect the trend of increasing labor costs to continue in the near future, which in turn will increase our operating costs.

Interim fluctuation of results of operations

Our results of operations tend to fluctuate from period to period. The number of properties that we can develop or complete during any particular period is limited due to the substantial amount of capital required for land acquisition, demolition, resettlement and construction, limited land supplies and lengthy development periods before positive cash flows may be generated. In addition, in recent years, we began to develop larger-scale property developments and, as a result, we develop properties in multiple phases over the course of several years. Typically, the selling prices of properties in such larger-scale property developments tend to increase as the overall development comes closer to completion, thus offering a more established residential community to the purchasers. Seasonal variations, as we disclosed in “Risk factors—Risks relating to our business—We face risks relating to fluctuations of results of operations from period to period,” have also caused fluctuations in our interim revenue and profits, including quarterly and semi-annual results. As a result, our results of operations fluctuate and our interim results do not proportionally reflect our annual results.

Critical accounting policies

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.

Our consolidated financial statements have been prepared in accordance with HKFRS. HKFRS requires that we adopt accounting policies and make estimates that, our directors believe, are the most appropriate under the circumstances for the purposes of giving a true and fair view of our results and financial condition. In preparing our consolidated financial statements, we made certain estimates and assumptions about future events based on our experience. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities. For more details about our critical accounting estimates and judgments, see note 4 to our audited financial information as of and for the year ended December 31, 2015 and 2016 and our unaudited and reviewed financial information as of and for the six months ended June 30, 2017 included elsewhere in this offering memorandum.

Revenue recognition. In January 2017, we early adopted HKFRS 15, which was issued in July 2014. Our adoption of this accounting policy resulted in adjustments to the amounts recognized in our financial statements. In accordance with the transitional provisions in HKFRS 15, comparative figures have not been restated. As a result, we elected to apply the modified transitional provisions whereby the effects of adopting HKFRS 15 for uncompleted contracts with customers as at December 31, 2016 are adjusted at the opening balances of equity as at January 1, 2017. See note 4 to the unaudited and reviewed financial information as of and for the six months ended June 30, 2017 included elsewhere in this offering memorandum.

Revenue comprises primarily the proceeds from property development, construction, fitting and decoration, property investment, property management and hotel operation after the elimination of intra-group transactions. Revenue arising from construction services is recognized in the accounting period in which the services are rendered by reference to completion of the specific transaction and assessed on the basis of the contract costs incurred up to the end of the reporting period as a percentage of the total estimated costs for each contract. Revenues arising from fitting and decoration services, hotel operation and property management are recognized in the accounting period in which the services are rendered. In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses. Under HKFRS 15, properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customer for performance completed to date, the Group recognizes revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress.

Land use rights cost. Land use rights cost typically comprises payments to government authorities for obtaining the right to occupy, use and develop land, certain fees for altering the intended use of land and resettlement costs. Land use rights which are held for development and subsequent sale are classified as inventories and included in "Properties under development" or "Completed properties held for sales" under "Current assets" or "Non-current assets" in accordance with HKAS 2 and measured at the lower of cost and net realizable value.

Properties under development and completed properties held for sale. Properties under development which have either been pre-sold or which are intended for sale and are expected to be completed within a normal operating cycle are classified as current assets. Properties under development are stated at the lower of cost and net realizable value. Net realizable value for our properties under development is determined by reference to the sale proceeds of properties sold

in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimate based on prevailing marketing conditions.

Development cost of a property comprises land use rights, construction costs, capitalized costs and professional fees incurred during the development period of a normal operating cycle. Upon completion, the properties are transferred to completed properties held for sale.

Completed properties remaining unsold at the end of each financial period are stated at the lower of cost and net realizable value. Net realizable value for our completed properties held for sale is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimate based on prevailing marketing conditions.

Income taxes and deferred taxation. Significant judgment is required in determining the provision for income tax. Such determinations are often uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will affect the income tax and deferred tax provision in the period in which such determination is made.

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

Change in accounting policy on the classification, measurement and derecognition of financial assets and liabilities. In January 2016, we early adopted HKFRS 9, which was issued in July 2014 and introduced new rules for hedge accounting and a new impairment model for financial assets. Our adoption of this accounting policy resulted in adjustments to the amounts recognized in our financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. As a result, any adjustments to carrying amounts of financial assets or liabilities are recognized at the beginning of the current reporting period, with the difference recognized in opening retained earnings. Provisions for impairment have not been restated in the comparative period as well. See note 3 to the audited consolidated financial information as of and for the year ended December 31, 2016 included elsewhere in this offering memorandum.

Estimates for impairment of hotel non-financial assets. Management performs review for impairment of hotel non-financial assets whenever events or changes in circumstances indicate that the carrying amounts of the hotel non-financial assets may not be recoverable. In such cases, the recoverable amounts of hotel non-financial assets have been determined based on the value-in-use method. Value-in-use calculations require the use of significant estimates and assumptions on the projections of cash flows from the continuous use of the hotel non-financial assets.

We assessed the fair value of our investment properties based on valuations determined by independent and professional qualified valuer. Significant judgement and assumptions are required in assessing the fair value of the investment properties. See note 8 to the audited consolidated financial information as of and for the year ended December 31, 2016 included elsewhere in this offering memorandum.

Results of operations

The following table sets forth, for the periods indicated, certain items derived from our consolidated statements of comprehensive income.

(in millions, except percentages)	For the year ended December 31,				For the six months ended June 30,		
	2014	2015	2016	2016	2016	2017	2017
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(RMB)	(US\$)
Revenue	84,548.8	113,222.6	153,087.0	22,049.1	57,362.5	77,737.8	11,466.9
Cost of sales	(62,493.7)	(90,359.3)	(120,850.9)	(17,406.1)	(45,336.5)	(60,641.2)	(8,945.1)
Gross profit	22,055.1	22,863.3	32,236.1	4,643.0	12,026.0	17,096.5	2,521.9
Other income and gains—net	186.0	424.0	1,530.5	220.4	264.0	1,693.0	249.7
Gains arising from changes in fair value of and transfer to investment properties	1,880.0	809.8	711.6	102.5	360.6	159.5	23.5
Selling and marketing costs	(4,356.2)	(4,688.7)	(7,383.6)	(1,063.5)	(1,981.8)	(3,337.3)	(492.3)
Administrative expenses	(3,159.9)	(3,230.0)	(4,970.4)	(715.9)	(1,844.8)	(4,038.3)	(595.7)
Operating profit	16,605.0	16,178.4	22,124.2	3,186.5	8,824.0	11,573.3	1,707.2
Finance income	254.7	221.1	532.9	76.7	270.0	830.5	122.5
Finance costs	(450.3)	(1,510.6)	(1,628.2)	(234.5)	(263.5)	-	-
Finance costs—net	(195.6)	(1,289.5)	(1,095.3)	(157.8)	6.4	830.5	122.5
Share of results of joint ventures and associates	(40.3)	(55.8)	361.7	52.1	378.9	6.1	0.9
Profit before income tax	16,369.1	14,833.1	21,390.6	3,080.9	9,209.2	12,410.0	1,830.6
Income tax expenses	(5,757.2)	(5,121.4)	(7,727.3)	(1,113.0)	(3,004.3)	(4,036.6)	(595.4)
Profit for the year	10,611.9	9,711.7	13,663.2	1,967.9	6,204.9	8,373.4	1,235.1
Other comprehensive income:							
Items that will not be reclassified subsequently to profit or loss:							
—Revaluation gains on properties upon transfer from property, plant and equipment and land use rights to investment properties, net of tax ⁽¹⁾	1,464.2	-	-	-	-	-	-
—Change in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	45.9	6.6	4.0	32.5	4.8
Items that may be reclassified to profit or loss:							
—Change in fair value of available-for-sale financial assets, net of tax	2.3	4.7	-	-	-	-	-
—Deferred gains on cash flow hedges, net of tax	-	-	90.0	13.0	25.5	(59.6)	(8.8)
—Deferred costs of hedging, net of tax	-	-	(295.9)	(42.6)	(300.3)	416.3	61.4
—Currency translation differences	6.5	(899.0)	299.5	43.1	589.0	(174.8)	(25.8)
Other comprehensive income/(loss) for the year, net of tax	1,473.0	(894.3)	139.5	20.1	318.1	214.3	31.6
Total comprehensive income for the year, net of tax	12,084.9	8,817.4	13,802.7	1,988.0	6,523.0	8,587.7	1,266.8
Profit attributable to:							
—Owners of the Company	10,229.2	9,276.5	11,516.8	1,658.8	5,389.6	7,501.4	1,106.5
—Non-controlling interests	382.7	435.2	2,146.4	309.1	815.3	872.0	128.6
	10,611.9	9,711.7	13,663.2	1,967.9	6,204.9	8,373.4	1,235.1
Total comprehensive income attributable to:							
Owners of the Company	11,700.2	8,453.4	11,585.2	1,668.6	5,755.8	7,777.0	1,147.2
Non-controlling interests	384.7	364.0	2,217.5	319.4	767.2	810.8	119.6
	12,084.9	8,817.4	13,802.7	1,988.0	6,523.0	8,587.7	1,266.8
Dividends	3,001.9	2,912.2	3,733.9	537.8	1,538.0	3,205.9	472.9
Other Financial Data (unaudited)							
EBITDA ⁽¹⁾	17,174.9	15,860.6	21,949.2	3,161.3	9,252.2	12,836.2	1,893.4
EBITDA Margin ⁽²⁾	20.3%	14.0%	14.3%	14.3%	16.1%	16.5%	16.5%

Notes:

(1) EBITDA for any period consists of operating profit plus interest income, depreciation expenses of property, plant and equipment and investment property and amortization of land use rights and intangible assets, net of exchange gains or losses. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as 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 service debt and pay taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See "Management's discussion and analysis of financial condition and results of operations—Non-GAAP financial measures" for a reconciliation of our profit for the year under HKFRS to our definition of EBITDA. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. See "Description of the Notes—Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.

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

The Six Months Ended June 30, 2017 Compared to the Six Months Ended June 30, 2016

Revenue. Our revenue increased by 35.5% to RMB77,737.8 million (US\$11,466.9 million) in the six months ended June 30, 2017 from RMB57,362.5 million in the six months ended June 30, 2016, primarily attributable to the increase in sales of properties.

- Property development. Revenue generated from property development increased by 34.4% to approximately RMB74,474.6 million (US\$10,985.6 million) for the six months ended June 30, 2017 from approximately RMB55,406.4 million for the corresponding period in 2016. The recognized average selling price of property delivered was RMB6,900 (US\$1,017.8) per sq.m. for the six months ended June 30, 2017, increasing from RMB6,228 per sq.m. for the corresponding period in 2016.
- Construction, fitting and decoration. Revenue generated from construction, fitting and decoration increased by 475.0% to RMB1,105.8 million (US\$163.1 million) for the six months ended June 30, 2017 from RMB192.3 million in the six months ended June 30, 2016, primarily due to an increase in the volume of construction, fitting and decoration services rendered to our related parties and third parties.
- Property investment. Revenue generated from property investment increased by 44.3% to RMB76.2 million (US\$11.2 million) in the six months ended June 30, 2017 from RMB52.8 million in the six months ended June 30, 2016, primarily due to an increase in our rental income.
- Property management. Revenue generated from property management increased by 24.6% to RMB1,207.8 million (US\$178.2 million) in the six months ended June 30, 2017 from RMB969.0 million in the six months ended June 30, 2016, primarily due to an increase in the cumulative GFA under management resulting from the completion of construction and delivery of our properties, which was in line with the expansion of our operations.
- Hotel operation. Revenue generated from hotel operation increased by 17.7% to RMB873.4 million (US\$128.8 million) in the six months ended June 30, 2017 from RMB741.9 million in the six months ended June 30, 2016, primarily due to increased revenues from existing hotels in operation.

Cost of sales. Cost of sales increased by 33.8% to RMB60,641.2 million (US\$8,945.0 million) in the six months ended June 30, 2017 from RMB45,336.5 million in the six months ended June 30, 2016. The increase in cost of sales was in line with the increase in revenue.

Gross profit. Gross profit increased by 42.2% to RMB17,096.5 million (US\$2,521.9 million) in the six months ended June 30, 2017 from RMB12,026.0 million in the six months ended June 30, 2016. The gross profit margin in the six months ended June 30, 2017 increased to 22.0% from 21.0% in the corresponding period in 2016.

Other income and gains—net. Other income and gains—net significantly increased by 541.5% to RMB1,693.0 million (US\$249.7 million) in the six months ended June 30, 2017 from RMB263.9 million in the six months ended June 30, 2016, primarily due to (i) an increase of other income from management and consulting service income to RMB199.5 million (US\$29.4 million) in the six months ended June 30, 2017 from nil in the six months ended June 30, 2016, (ii) an increase in gains arising from negative goodwill to RMB1,263.5 million (US\$186.4 million) from RMB22.4 million in the six months ended June 30, 2016 and (iii) an increase of gains on disposal of property, plant and equipment to RMB9.3 million (US\$1.4 million) in the six months ended June 30, 2017, partially offset by an increase in loss in fair value of derivative financial to RMB168.2 million (US\$24.8 million) in the six months ended June 30, 2017 from RMB42.8 million in the six months ended June 30, 2016.

Gains arising from changes in fair value of and transfer to investment properties. Gains arising from changes in fair value of and transfer to investment properties decreased by 55.8% to RMB159.5 million (US\$23.5 million) in the six months ended June 30, 2017 from RMB360.6 million in the corresponding period in 2016. As of June 30, 2017, the fair value of our investment properties amounted to approximately 9,374.9 million (US\$1,382.9 million), including approximately RMB8,046.8 million (US\$1,187.0 million) of completed properties and approximately RMB1,328.1 million (US\$196.0 million) of properties under development.

Selling and marketing costs. Selling and marketing costs increased by 68.4% to RMB3,337.3 million (US\$492.3 million) in the six months ended June 30, 2017 from RMB1,981.8 million in the six months ended June 30, 2016. The increase was primarily attributable to an increase in salaries and bonus by 20.3% to RMB1,259.7 million (US\$185.8 million) in the six months ended June 30, 2017 from RMB1,046.9 million in the corresponding period in 2016.

Administrative expenses. Administrative expenses increased by 118.9% to RMB4,038.3 million (US\$595.7 million) in the six months ended June 30, 2017 from RMB1,844.8 million in the six months ended June 30, 2016, primarily due to an increase in employee benefits by 88.3% to RMB2,056.8 million (US\$303.4 million) in the six months ended June 30, 2017 from RMB1,092.5 million in the corresponding period in 2016.

Finance income/(costs)—net. We recorded finance income—net of RMB830.5 million (US\$122.5 million) in the six months ended June 30, 2017, compared to finance income—net of RMB6.4 million in the six months ended June 30, 2016, primarily due to an increase in foreign exchange gains on financing activities as a result of the appreciation of Renminbi. We also recorded interest income on short-term bank deposits of approximately RMB405.5 million (US\$59.8 million) during the six months ended June 30, 2017.

Share of results of associates and joint ventures. We recorded a share of gain of associates and joint ventures of RMB6.1 million (US\$0.9 million) in the six months ended June 30, 2017, compared to a share of gain of associates and joint ventures of RMB378.9 million in the six months ended June 30, 2016.

Income tax expenses. Income tax expenses increased to RMB4,036.6 million (US\$595.4 million) in the six months ended June 30, 2017 from RMB3,004.3 million in the six months ended June 30, 2016. Our effective income tax rate decreased to 32.5% the six months ended June 30, 2017 from 32.6% in the six months ended June 30, 2016.

Total comprehensive income for the period. Total comprehensive income for the period increased by 31.7% to RMB8,587.7 million (US\$1,266.8 million) in the six months ended June 30, 2017 from RMB6,523.1 million in the six months ended June 30, 2016. Our net profit margin increased to 9.6% the six months ended June 30, 2017 from 9.4% in the six months ended June 30, 2016, as a result of the cumulative effects of the foregoing factors.

2016 Compared to 2015

Revenue. Our revenue increased by 35.2% to RMB153,087.0 million (US\$22,581.5 million) in 2016 from RMB113,222.6 million in 2015, primarily attributable to the increase in sales of properties.

§ Property development. Revenue generated from property development increased by 35.4% to RMB148,180.1 million (US\$21,857.7 million) in 2016 from RMB109.5 million in 2015, primarily attributable to a 35.5% increase in total GFA recognized to 23.94 million sq.m. in 2016 from 17.67 million sq.m. in 2015. The recognized average selling price of property was approximately RMB6,191 (US\$913) per sq.m. in 2016, compared to approximately RMB6,194 per sq.m. in 2015.

The following table sets forth the revenue generated from certain projects and the percentage of the total revenue it represented in each of the year ended December 31, 2016 and 2015, respectively.

Property Development	For the year ended December 31,			
	2016		2015	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	RMB'000	%	RMB'000	%
Country Garden—Coral Palace	4,882,104.8	3.3	-	-
Sanming Country Garden	4,132,620.8	2.8	284,312.1	0.3
Lu' an Country Garden	3,257,494.3	2.2	987,309.7	0.9
Country Garden—Ten Miles Beach	4,897,067.4	3.3	9,011,760.2	8.2
Huangjiang Country Garden	1,604,546.4	1.1	278,424.5	0.3
Nanchong Country Garden	1,567,597.1	1.1	552,176.8	0.5
Daliang Country Garden	1,268,834.8	0.9	-	-
Shanwei Country Garden	2,718,197.2	1.8	324,364.0	0.3
Fengshun Country Garden	1,520,237.8	1.0	773,199.2	0.7
Country Garden—Jade Bay (Wuwei)	1,450,224.2	1.0	179,962.1	0.2
Country Garden Hill Lake City (Qingcheng) ...	1,874,842.8	1.3	411,734.0	0.4
Shunde Country Garden—including Country Garden West Court	1,504,619.0	1.0	2,877,966.8	2.6
Nanling Country Garden	1,225,236.6	0.8	-	-
Huaxi Country Garden	1,060,896.2	0.7	-	-
Country Garden—City Garden (Zengcheng) ...	263,882.9	0.2	1,546,279.7	1.4
Daye Country Garden	1,152,259.2	0.8	510,678.4	0.5
Shaoguan Country Garden	1,725,325.9	1.2	797,067.8	0.7
Lanzhou Country Garden	2,154,570.3	1.5	2,845,571.2	2.6
Qidong Country Garden	1,267,983.7	0.9	-	-
Country Garden—Phoenix City (Jurong)	267,487.0	0.2	-	-
Changsha Country Garden	1,436,891.4	1.0	76,304.6	0.1
Country Garden—Kowloon Bay	817,658.3	0.6	-	-
Others	106,129,556.6	71.3	88,003,259.2	80.3
Total	148,180,134.7	100.0	109,460,370.3	100.0

Š Construction, fitting and decoration. Revenue generated from construction, fitting and decoration increased by 53.1% to RMB1,143.0 million (US\$168.6 million) in 2016 from RMB746.4 million in 2015, primarily due to an increase in the volume of construction, fitting and decoration services rendered to our related parties and third parties.

Š Property investment. Revenue generated from property investment increased by 5.9% to RMB97.1 million (US\$14.3 million) in 2016 from RMB91.7 million in 2015, primarily due to an increase in our rental area.

Š Property management. Revenue generated from property management increased by 33.3% to RMB1,959.1 million (US\$289.0 million) in 2016 from RMB1,469.3 million in 2015, primarily due to an increase in the cumulative GFA under management resulting from the completion of construction and delivery of our properties, which was in line with the expansion of our operations.

§ Hotel operation. Revenue generated from hotel operation increased by 17.4% to RMB1,707.6 million (US\$251.9 million) in 2016 from RMB1,454.9 million in 2015, primarily due to increased revenues from existing hotels.

Cost of sales. Cost of sales increased by 33.7% to RMB120,851.0 million (US\$17,826.5 million) in 2016 from RMB90,359.8 million in 2015. The increase in cost of sales was in line with the increase in revenue.

Gross profit. Gross profit increased by 41.0% to RMB32,236.1 million (US\$4,755.1 million) in 2016 from RMB22,863.3 million in 2015. The gross profit margin in 2016 increased to 21.1% from 20.2% in the corresponding period in 2015, primarily attributable to a decrease in construction costs.

Other income and gains—net. Other income and gains—net significantly increased by 261.0% to RMB1,530.5 million (US\$225.8 million) in 2016 from RMB424.0 million in 2015, primarily due to (i) an increase of gains arising from negative goodwill to RMB1,257.7 million (US\$185.5 million) in 2016 from RMB118.3 million in 2015, (ii) an increase in changes in fair value of derivative financial instruments to RMB149.8 million (US\$22.1 million) from RMB7.8 million in 2015, (iii) gains on disposals of property, plant and equipment of RMB18.7 million (US\$2.8 million) as compared to losses on disposals of property, plant and equipment of RMB1.3 million in 2015 and (iv) an increase of gains on disposal of subsidiaries to RMB37.0 million (US\$5.5 million) in 2016 from RMB1.5 million in 2015, partially offset by a decrease in refund of land usage tax and other government grants to RMB16.7 million (US\$2.5 million) in 2016 from RMB183.7 million in 2015.

Gains arising from changes in fair value of and transfer to investment properties. Gains arising from changes in fair value of and transfer to investment properties decreased by 12.1% to RMB711.6 million (US\$105.0 million) in 2016 from RMB809.8 million in 2015. The decrease was primarily attributable to the slower growth of fair value of existing investment properties.

Selling and marketing costs. Selling and marketing costs increased by 57.5% to RMB7,383.6 million (US\$1,089.1 million) in 2016 from RMB4,688.7 million in 2015. The increase was primarily attributable to an increase in salaries and bonuses we offered to our sales staff to RMB2,302.3 million (US\$339.6 million) in 2016 from RMB1,837.6 million in 2015.

Administrative expenses. Administrative expenses increased by 53.9% to RMB4,970.4 million (US\$733.2 million) in 2016 from RMB3,230.0 million in 2015, primarily due to a significant increase in employee benefits by 87.3% to RMB2,301.4 million (US\$339.5 million) in 2016 from RMB1,229.0 million in the corresponding period in 2015, as a result of an increase in the average number of employee to 94,450 in 2016 from 68,150 in 2015, as well as an increase in salaries and bonuses for our employees 2016.

Finance income/(costs)—net. We recorded finance costs—net of RMB1,095.3 million (US\$161.6 million) in 2016, compared to finance costs—net of RMB1,289.5 million in 2015, primarily due to the increase in interest income on short-term bank deposits of approximately RMB311.8 million.

Share of results of associates and joint ventures. We recorded a share of gain of associates and joint ventures of RMB361.7 million (US\$53.4 million) in 2016, compared to a share of loss of associates and joint ventures of RMB55.8 million in 2015.

Income tax expenses. Income tax expenses increased to RMB7,727.3 million (US\$1,139.8 million) in 2016 from RMB5,121.4 million in 2015. Our effective income tax rate increased to 36.1% 2016 from 34.5% in 2015, as a result of an increase in the land appreciation tax rate.

Total comprehensive income for the period. Total comprehensive income for the period increased by 56.5% to RMB13,802.7 million (US\$2,036.0 million) in 2016 from RMB8,817.4 million in 2015. Our net profit margin increased to 9.0% 2016 from 7.8% in 2015, as a result of the cumulative effects of the foregoing factors.

2015 Compared to 2014

Revenue. Our revenue increased by 33.9% to RMB113,222.6 million in 2015 from RMB84,548.8 million in 2014, primarily attributable to the increase in sales of properties, the increase in our rendering of construction, fitting and decoration services and the increase in our rendering of property management services.

§ Property development. Revenue generated from property development increased by 33.7% to RMB109,460.4 million in 2015 from RMB81,897.9 million in 2014, primarily attributable to a 45.1% increase in total GFA recognized to 17.7 million sq.m. in 2015 from 12.2 million sq.m. in 2014. However, the recognized average selling price of property decreased by 7.9% to approximately RMB6,194 per sq.m. in 2015, compared to approximately RMB6,724 per sq.m. in 2014 mainly because the recognized high-rise building GFA increased to 78.6% of total GFA in 2015 from 69.2% in 2014.

The following table sets forth the revenue generated from certain projects and the percentage of the total revenue it represented in each of the years ended December 31, 2015 and 2014, respectively.

Property Development	For the year ended December 31,			
	2015		2014	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	RMB'000	%	RMB'000	%
Country Garden—Ten Miles Beach	9,011,760	8.2	1,591,891	1.9
Country Garden—Galaxy Palace	5,996,123	5.5	1,258,769	1.5
Country Garden—Eco City	2,950,695	2.7	2,224,650	2.7
Country Garden—Ten Miles Golden Beach	2,946,903	2.7	50,784	0.1
Lanzhou Country Garden	2,845,571	2.6	387,233	0.5
Country Garden—Phoenix City (Jurong)	2,808,232	2.6	4,254,787	5.2
Country Garden—City Garden	2,754,414	2.5	-	0.0
Nansha Country Garden	2,211,958	2.0	3,210,552	3.9
Anqing Country Garden	2,187,325	2.0	919,931	1.1
Shunde Country Garden—including Country Garden West Court	2,105,816	1.9	427,602	0.5
Jingjiang Country Garden	1,798,069	1.6	-	0.0
Huaxi Country Garden	1,685,582	1.5	330,883	0.4
Country Garden—Phoenix City (Sujiatun)	1,666,012	1.5	248,596	0.3
Changping Country Garden	1,561,918	1.4	1,784,433	2.2
Country Garden—Lanjiang Mansion	1,551,958	1.4	910,937	1.1
Country Garden Phoenix City (Zengcheng)	1,546,280	1.4	5,115,922	6.2
Country Garden—Dongjiang Phoenix City	1,509,846	1.4	1,217,888	1.5
Yichun Country Garden	1,509,032	1.4	-	0.0
Dianjiang Country Garden	1,497,425	1.4	312,403	0.4
Xuancheng Country Garden	1,486,678	1.4	226,565	0.3
Country Garden City Garden (Maoming)	1,471,823	1.3	1,072,228	1.3
Baoying Country Garden	1,427,436	1.3	-	0.0
Gaozhou Country Garden	1,383,669	1.3	-	0.0
Meijiang Country Garden	1,373,277	1.3	1,237,615	1.5
Gaochun Country Garden	1,318,767	1.2	322,591	0.4
Others	50,853,801	46.5	54,791,596	66.9
Total	109,460,370	100.0	81,897,856	100.0

§ Construction, fitting and decoration. Revenue generated from construction, fitting and decoration increased by 59.5% to RMB746.4 million in 2015 from RMB467.9 million in 2014, primarily due to an increase in the volume of construction, fitting and decoration services rendered to our related parties and third parties.

§ Property investment. Revenue generated from property investment increased by 5.8% to RMB91.7 million in 2015 from RMB86.7 million in 2014, due to an increase in our rental area.

§ Property management. Revenue generated from property management increased by 52.4% to RMB1,469.3 million in 2015 from RMB964.1 million in 2014, primarily due to an increase in the cumulative GFA under management resulting from the completion of

construction and delivery of our properties, which was in line with the expansion of our operations. In addition, in 2015, we expanded our property management business beyond the properties developed by us. As of December 31, 2015, our contracted management area was approximately 138.0 million sq.m., among which approximately 12.0 million sq.m. was developed by external developers, and approximately 83.4 million sq.m. was already under the management of our property management team, of which approximately 1.1 million sq.m. was developed by external developers.

§ Hotel operation. Revenue generated from hotel operation increased by 28.5% to RMB1,454.9 million in 2015 from RMB1,132.3 million in 2014, primarily due to the increased revenue from existing hotels and the opening of new hotels.

Cost of sales. Cost of sales increased by 44.6% to RMB90,359.3 million in 2015 from RMB62,493.7 million in 2014. The increase in cost of sales outpaced the increase in revenue primarily due to an increase in total GFA recognized.

Gross profit. Gross profit increased by 3.7% to RMB22,863.3 million in 2015 from RMB22,055.1 million in 2014. The gross profit margin in 2015 decreased to 20.2% from 26.1% in 2014, primarily attributable to a decrease of the recognized average selling price of property, as well as the average cost of sales per sq.m. being flat compared to 2014.

Other income and gains—net. Other income and gains—net increased by 128.0% to RMB424.0 million in 2015 from RMB186.0 million in 2014, primarily due to (i) gains arising from negative goodwill of RMB118.3 million in 2015, as compared to nil in 2014; and (ii) an increase in refund of land usage tax and other government grants to RMB183.7 million in 2015 from RMB68.5 million in 2014. The gains arising from negative goodwill arose mainly from our acquisition in 2015 of equity interests in various companies from various third party sellers at a discount to fair value.

Gains arising from changes in fair value of and transfer to investment properties. Gains arising from changes in fair value of and transfer to investment properties decreased by 56.9% to RMB809.8 million in 2015 from RMB1,880.0 million in 2014. The decrease was primarily attributable to a decrease in the amount of investment properties transferred from properties under development and completed properties held for sale.

Selling and marketing costs. Selling and marketing costs increased by 7.6% to RMB4,688.7 million in 2015 from RMB4,356.2 million in 2014. The increase was primarily attributable to an increase in the amount of commissions we offered to our sales staff during the year due to higher contracted sales as compared to 2014.

Administrative expenses. Administrative expenses increased by 2.2% to RMB3,230.0 million in 2015 from RMB3,159.9 million in 2014, primarily due to an increase in employee benefit expenses to RMB1,229.0 million in 2015 from RMB1,105.5 million in 2014 as we increased salaries and bonuses for our employees during the year.

Finance costs—net. Finance costs—net increased by 559.3% to RMB1,289.5 million in 2015 from RMB195.6 million in 2014, primarily due to (i) the cost of RMB307.4 million resulting from the early redemption of the 2018 Notes, (ii) the increase in foreign exchange loss of approximately RMB942.4 million resulting from the depreciation of the exchange rate of RMB against U.S. dollars and (iii) an increase in interest expense on bank and other borrowings and debentures to RMB3,180.7 million from RMB2,634.8 million in 2014 primarily due to an increase in bank and other borrowings and our issuance of debentures at an aggregate par value of RMB15,174.0

million in 2015. Total interest expenses increased to approximately RMB5,061.7 million from approximately RMB4,879.4 million in 2014 due to an increase in the amount of bank and other borrowings and debentures. We recorded net foreign exchange losses of RMB1,640.8 million in 2015, compared to net foreign exchange losses of RMB260.8 million in 2014.

Share of results of associates and joint ventures. Our share of loss of associates joint ventures increased to RMB55.8 million in 2015 from RMB40.3 million in 2014.

Income tax expenses. Income tax expenses decreased slightly to RMB5,121.4 million in 2015 from RMB5,757.2 million in 2014. Our effective income tax rate decreased from 35.2% in 2014 to 34.5% in 2015, as a result of a decrease in the land appreciation tax rate.

Total comprehensive income for the year. Total comprehensive income for the year decreased by 27.0% to RMB8,817.4 million in 2015 from RMB12,084.9 million in 2014. Our net profit margin decreased to 8.5% in 2015 from 12.5% in 2014, as a result of the cumulative effects of the foregoing factors.

Liquidity and capital resources

Cash flows

We operate in a capital intensive industry and have historically financed the development of our projects and other capital expenditures through a combination of internal funds, cash generated from our sales and pre-sale proceeds, borrowings from commercial banks in the PRC and Hong Kong, and proceeds from issuance of debt and equity securities, such as the issuance of the 2014 Notes in September 2009, the issuance of the 2017 Notes in April 2010, the issuance of the 2015 Notes in August 2010, the issuance of the 2018 Notes in February 2011, our share placement in February 2012 and in April 2015, the issuance of the 2023 Notes in January 2013, the issuance of the 2021 Notes in October 2013, the issuance of the 2019 Notes in May 2014, the issuance of the Private Notes in June 2014, the issuance of the 2020 Notes in March 2015, the issuance of the September 2023 Notes in September 2016, the issuance of the 2026 Notes in December 2016, the issuance of the 2022 Notes in July 2017 and the issuance of the November 2018 Notes in November 2017. We also generate cash from proceeds from the issuance of domestic corporate bonds, Islamic medium term notes and proceeds received under securitization arrangements. Our short-term liquidity relates to servicing our debt and funding working capital requirements. Sources of short-term liquidity include cash balances and receipts from our operations. Our long-term liquidity requirement includes partial funding of our investments in new property projects and repayment of long-term debt, the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes and other long-term credit facilities. Sources of funding for our long-term liquidity requirements include new loans or debt issuance. We hold our cash and cash equivalents primarily in Renminbi, with the remaining in H.K. dollars, U.S. dollars and Ringgit Malaysia.

The following table presents selected cash flow data from our consolidated cash flow statement for each of the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017.

(in thousands)	For the year ended December 31,				For the six months ended June 30,	
	2014	2015	2016	2016	2017	
	(RMB)	(RMB)	(RMB)	(US\$)	RMB	US\$
Net cash used in operating activities	(4,331,865)	(17,589,932)	41,262,758	6,086,581	16,424,071	2,422,679
Net cash used in investing activities	(4,687,277)	(6,665,787)	(20,457,345)	(3,017,619)	(13,428,899)	(1,980,868)
Net cash generated from financing activities	8,912,647	41,669,568	27,454,158	4,049,704	22,551,670	3,326,548
Cash and cash equivalents at the end of the year	18,760,590	36,240,752	84,646,899	12,486,082	110,113,104	16,242,548

Cash flows from operating activities

2017H. Our net cash generated from operating activities of RMB16,424.1 million (US\$2,422.7 million) in the six months ended June 30, 2017 was attributable to cash generated from operations of RMB30,065.9 million (US\$4,435.0 million), partly offset by income tax paid of RMB9,751.7 million (US\$1,438.5 million) and interest paid of RMB3,890.1 million (US\$573.8 million).

2016. Our net cash used in operating activities of RMB41,262.8 million (US\$6,086.6 million) in 2016 was attributable to cash used in operations of RMB57,303.1 million (US\$8,452.7 million), income tax paid of RMB9,919.4 million (US\$1,463.2 million) and interest paid of RMB6,121.0 million (US\$902.9 million). Cash used in operations prior to changes in working capital was RMB20,897.8 million (US\$3,082.6 million). Changes in working capital contributed to a net cash inflow of RMB36,405.3 million (US\$5,370.0 million), comprising primarily of (i) property under development and completed properties held for sale of RMB43,515.7 million arising mainly from capitalized interest expenses attributable to properties under development and construction costs and land use rights, (ii) trade and other receivables of RMB71,902.3 million from current accounts due from the other shareholders of certain joint ventures and associates of the Group for various payments on their behalf and (iii) prepaid taxes of RMB521.7 million (US\$77.0 million), partially offset by trade and other payables of RMB64,483.0 million (US\$9,511.7 million) arising mainly from current accounts due to certain joint ventures and associates of the Group and outstanding considerations to acquire certain subsidiaries, joint ventures and associates.

2015. Our net cash used in operating activities of RMB17,589.9 million in 2015 was attributable to cash used in operations of RMB6,488.6 million, income tax paid of RMB6,144.9 million and

interest paid of RMB4,956.4 million. Cash generated from operations prior to changes in working capital was RMB15,913.9 million. Changes in working capital contributed to a net cash outflow of RMB22,402.5 million, comprising primarily of (i) property under development and completed properties held for sale of RMB38,279.0 million mainly due to construction costs, capitalized interest expenses and land use rights, (ii) in trade and other receivables of RMB14,797.0 million mainly due to higher sales recognized as compared to 2014 and (iii) prepaid taxes of RMB272.8 million, partially offset by trade and other payables of RMB30,837.5 million arising from properties under development and associated construction fees payable.

2014. Our net cash used in operating activities of RMB4,331.9 million in 2014 was attributable to income tax paid of RMB5,997.8 million and interest paid of RMB4,877.5 million partially offset by cash generated from operations of RMB6,543.4 million. Cash generated from operations prior to changes in working capital was RMB15,481.4 million. Changes in working capital contributed to a net cash outflow of RMB8,938.0 million, comprising primarily of (i) property under development and completed properties held for sale of RMB47,792.4 million arising mainly due to construction costs, capitalized interest expense and land use rights, (ii) prepaid taxes of RMB1,611.4 million, (iii) inventories of RMB1,522.3 million and (iv) restricted cash of RMB683.6 million, partially offset by (i) advanced proceeds received from customers of RMB28,374.5 million representing higher contracted sales as compared to 2014, and (ii) trade and other payables of RMB13,312.1 million arising mainly from properties under development and associated construction fees payable.

Cash flows from investing activities

2017H. Our net cash used in investing activities of RMB13,428.9 million (US\$1,980.9 million) in the six months ended June 30, 2017 was primarily attributable to (i) repayments for acquisitions of properties development companies of RMB5,773.2 million (US\$851.6 million), (ii) payments for acquisition of subsidiaries, net of cash acquired of RMB2,059.1 million (US\$303.7 million), (iii) investments in joint ventures of RMB1,721.0 million (US\$253.9 million), and (iv) purchases of property, plant and equipment of RMB1,559.9 million (US\$230.1 million) primarily relating to payments for construction of new hotels, partially offset by (i) proceeds from disposal of financial assets at fair value through profit or loss of RMB816 million (US\$120.4 million), (ii) proceeds from repayment of loans to related third parties of RMB561.2 million (US\$82.8 million), and (iii) interest received of RMB405.5 million (US\$59.8 million).

2016. Our net cash used in investing activities of RMB20,457.3 million (US\$3,017.6million) in 2016 was primarily attributable to (i) payments for acquisition of subsidiaries, net of cash acquired of RMB3,122.5 million (US\$460.6 million), (ii) investments in joint ventures of RMB5,295.4 million (US\$781.1 million), and (iii) purchases of property, plant and equipment of RMB1,907.0 million (US\$281.3 million) primarily relating to payments for construction of new hotels, partially offset by (i) proceeds from repayment of loans to related parties of RMB776.0 million (US\$114.5 million), (ii) interest received of RMB532.9 million (US\$78.6 million), and (iii) proceeds from disposal of property, plant and equipment of RMB232.4 million (US\$34.3 million).

2015. Our net cash used in investing activities of RMB6,665.8 million in 2015 was primarily attributable to (i) purchases of property, plant and equipment of RMB2,197.5 million primarily relating to payments for construction of new hotels, (ii) payments for acquisition of subsidiaries, net of cash acquired, of RMB1,637.7 million and (iii) payments for financial assets at fair value through profit or loss of RMB1,188.1 million in connection with our subscription of a 9.16% equity interest in Shenzhen Tiantu Investment Management Co., Ltd., which is mainly engaged in

investment activities and listed on the National Equities Exchange and Quotations in the PRC, partially offset by (i) proceeds from disposal of property, plant and equipment of RMB255.4 million and (ii) interest received of RMB221.1 million.

2014. Our net cash used in investing activities of RMB4,687.3 million in 2014 was primarily attributable to purchases of property, plant and equipment of RMB4,768.7 million primarily relating to payments for construction of new hotels, partially offset by interest received of RMB254.7 million.

Cash flows from financing activities

2017H. Our net cash generated from financing activities of RMB22,551.7 million (US\$3,326.6 million) in the six months ended June 30, 2017 was primarily attributable to (i) proceeds from bank and other borrowings of RMB39,898.0 million (US\$5,885.3 million), (ii) capital injections from non-controlling interests of RMB1,483.0 million (US\$218.8 million), and (iii) proceeds from disposal of interests in subsidiaries without loss of control of RMB147.7 million (US\$21.8 million), partially offset primarily by repayments of bank and other borrowings of RMB17,944.9 million (US\$2,647.0 million) and buy back of shares of RM641.0 million (US\$94.6 million).

2016. Our net cash generated from financing activities of RMB27,454.2 million (US\$4,049.7 million) in 2016 was primarily attributable to (i) proceeds from bank and other borrowings of RMB36,535.5 million (US\$5,389.3 million), (ii) net proceeds from the issuance of corporate bonds of RMB21,901.1 million (US\$3,230.6 million), (iii) proceeds received from securitization arrangements of RMB7,043.4 million (US\$1,039.0 million), and (iv) capital injections from non-controlling interests of RMB3,385.3 million (US\$499.4 million), partially offset primarily by repayments of bank and other borrowings of RMB20,507.4 million (US\$3,025.0 million) and redemption of perpetual capital securities of RMB19,528.0 million (US\$2,880.5 million).

2015. Our net cash generated from financing activities of RMB41,669.6 million in 2015 was primarily attributable to (i) proceeds from bank and other borrowings of RMB32,895.6 million, (ii) capital injections from non-controlling interests of RMB17,993.4 million and (iii) net proceeds from the issuance of debenture of RMB15,111.8 million, partially offset by repayments of bank and other borrowings of RMB20,779.4 million.

2014. Our net cash generated from financing activities of RMB8,912.6 million in 2014 was primarily attributable to proceeds from bank and other borrowings of RMB17,974.6 million, partially offset by repayments of bank and other borrowings of RMB12,368.9 million.

Capital resources

Property developments require substantial capital investment for land acquisition and construction and may take many months or years before positive cash flows can be generated. To date we have funded our growth principally from internal funds, borrowings from banks, proceeds from sales and pre-sales of our developed properties and proceeds from issuance of both debt and equity securities, such as the issuance of our various senior notes. We have also entered into trust financing arrangements and a perpetual loan for our funding requirements. Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies.

Since June 2003 commercial banks in the PRC have been prohibited under PBOC guidelines from advancing loans to fund payment of land premium. As a result, property developers may not use PRC bank loans to pay for land premium.

In an attempt to control the growth of the PRC property market, the PRC government in November 2009 raised the minimum down payment to 50% of the total land premium and on March 8, 2010, the Ministry of Land and Resources issued the circular on Strengthening Real Estate Land Supply and Supervision (關於加強房地產用地供應和監管有關問題的通知), under which the minimum price for a given land transfer is to be at least 70% of the benchmark price for land in the surrounding locality and the bidding deposit for such land transfer is required to be at least 20% of the applicable minimum transfer price. Property developers are also required to pay 50% of the land premium (taking into account any deposits previously paid) as a down payment within one month of signing a land grant contract and pay the balance within one year of the contract date, subject to limited exceptions. Such policy may constrain our cash otherwise available for additional land acquisition and construction.

In addition to restrictions on land premium financing, the PRC government also encourages property developers to use internal funds to develop their property projects. Under guidelines issued by the China Banking Regulatory Commission in August 2004, commercial banks in China are not permitted to lend funds to property developers with an internal capital ratio, calculated by dividing the internal funds available by the total capital required for the project, of less than 35%, an increase of five percentage points from 30% as previously required. Such increase in internal capital ratio will increase the internally sourced capital requirement for property developers, including ourselves. In May 2009, as part of its measure to combat the impact of the global economic downturn at the time, the PRC government lowered this ratio to 20% for protected housing projects and ordinary commodity housing projects and to 30% for other property projects to stimulate property developments in China. However, the PRC government has recently announced a series of measures designed to stabilize the growth of the PRC economy and to stabilize the growth of specific sectors, including the property market, to a more sustainable level. See “Risk factors—Risks relating to the property sector in the PRC—The property industry in the PRC is subject to government regulations and policies, which could have the effect of slowing down the industry’s growth.”

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

We intend to continue to fund our future development and debt servicing from existing financial resources and cash generated from operations. We may also raise additional funds through debt or equity offerings or sales or other dispositions of assets in the future to finance all or a portion of our future development, for debt servicing or for other purposes. In addition, we may consider raising additional funds through perpetual loans and securities in the PRC. Such perpetual loans and securities in the PRC may be guaranteed by us or our other subsidiaries or secured by shares of such subsidiaries.

Our ability to obtain adequate financing to satisfy our debt service requirements may be limited by our financial condition and results of operations and the liquidity of international and domestic financial markets. Any failure by us to achieve timely rollover, extension or refinancing of our short-term debt may result in our inability to meet our obligations in connection with debt service, accounts payable or other liabilities when they become due and payable. See “Risk factors—Risks relating to our business—We may not have adequate funding resources to finance land acquisitions or property developments, or to service our financing obligations.”

Borrowings

Bank and other borrowings

The following table sets forth our bank and other borrowings as of December 31, 2014, 2015 and 2016 and June 30, 2017:

(RMB in thousands)	As of December 31,			As of June 30,
	2014	2015	2016	2017
Borrowings included in non-current liabilities:				
Bank and other borrowings				
—secured	26,531,036	29,094,271	21,456,699	25,945,717
—unsecured	10,581,878	17,504,067	30,120,672	52,522,550
Less: current portion of non-current liabilities	(10,708,656)	(15,769,259)	(12,867,292)	(15,332,278)
Non-current borrowings	26,404,258	30,829,079	38,710,079	62,135,989
Borrowings included in current liabilities:				
Bank and other borrowings				
—secured	725,000	2,807,099	7,433,863	4,534,720
—unsecured	957,023	4,201,680	10,211,570	6,980,840
Current portion of non-current liabilities	10,708,656	15,769,259	12,867,292	15,332,278
Current borrowings	12,390,679	22,778,038	30,512,725	26,847,838
Total	38,794,937	53,607,117	69,222,804	88,983,827

Our bank and other borrowings as of December 31, 2014, 2015, 2016 and the six months ended June 30, 2017 bore a weighted average effective interest of 7.16%, 6.88%, 6.01% and 5.81% respectively.

As of June 30, 2017, most of our bank and other borrowings were secured by land use rights, properties and equipment that we owned and guaranteed by our subsidiaries. The maturity of our bank and other borrowings included in non-current liabilities as of December 31, 2014, 2015 and 2016 and June 30, 2017 is as follows:

(RMB in thousands)	As of December 31,		
	2014	2015	2016
Within 1 year	12,390,679	22,778,038	30,512,725
Between 1 and 2 years	14,644,053	13,014,023	18,085,406
Between 2 and 5 years	11,231,453	17,322,840	18,110,041
Beyond 5 years	528,752	492,216	2,514,632
	38,794,937	53,607,117	69,222,804

Subsequent to June 30, 2017, we have, from time to time, in the ordinary course of business, entered into additional loan agreements to finance our property developments or for general corporate purposes. A substantial portion of these loans were PRC bank loans and were secured by land use rights and other assets and properties as well as guaranteed by certain of our PRC subsidiaries. We have also entered into certain offshore facilities to finance our operations. See "Description of other material indebtedness—Offshore facility agreements."

Convertible Bonds and senior notes

We issued RMB denominated U.S. dollar settled 2.5% Convertible Bonds due 2013 with an aggregate principal amount of RMB3,595 million on February 22, 2008. The principal amount of the Convertible Bonds was increased to RMB4,314 million as a result of over-subscription. We repurchased a certain amount of the Convertible Bonds through a tender offer in April 2010 and through trading on the over-the-counter market. We also redeemed some of the Convertible Bonds on February 22, 2011 pursuant to bondholders that exercised their put option under the Convertible Bonds. In February 2013, we redeemed the remainder of the Convertible Bonds using part of the proceeds of the 2023 Notes. In September 2009, we issued 11.75% senior notes due 2014 with an aggregate principal amount of US\$375,000,000, which were redeemed upon maturity in September 2014. In April 2010, we issued 11.25% senior notes due 2017 with an aggregate principal amount of US\$550,000,000, which were redeemed in June 2014. In August 2010, we issued 10.50% senior notes due 2015 with an aggregate principal amount of US\$400,000,000, which were redeemed in August 2015. In February 2011, we issued 11.125% senior notes due 2018 with an aggregate principal amount of US\$900,000,000, which were redeemed in March 2015. In January 2013, we issued 7.50% senior notes due 2023 with an aggregate principal amount of US\$750,000,000, which remained outstanding as of June 30, 2017. In October 2013, we issued 7.25% senior notes due 2021 with an aggregate principal amount of US\$750,000,000, which remained outstanding as of June 30, 2017. In May 2014, we issued 7.875% senior notes due 2019 with an aggregate principal amount of US\$550,000,000, which remained outstanding as of June 30, 2017. In June 2014, we issued 7.50% senior notes due 2019 with an aggregate principal amount of US\$250,000,000, which remained outstanding as of June 30, 2017. In March 2015, we issued 7.50% senior notes due 2020 with an aggregate principal amount of US\$900,000,000, which remained outstanding as of June 30, 2017. In September 28, 2016, we issued 4.75% senior notes due 2023 with an aggregate principal amount of US\$650,000,000, which remained outstanding as of June 30, 2017. In December 2016, we issued 5.625% senior notes due 2026 with an aggregate principal amount of US\$350,000,000, which remained outstanding as of June 30, 2017. On July 25, 2017, we issued 4.75% senior notes due 2022 with an aggregate principal amount of US\$600 million, which remained outstanding as of June 30, 2017. On November 22, 2017, we also issued 3.875% senior notes due 2018 with an aggregate principal amount of US\$500,000,000.

The 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes and the November 2018 Notes are currently guaranteed by certain of our subsidiaries as subsidiary guarantors, and are secured, on a *pari passu* basis, by pledges over the shares of certain of such subsidiary guarantors. Such collateral is expected to be shared on a *pari passu* basis among the holders of the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes and the Notes upon the issuance of the Notes. See “Description of other material indebtedness—2023 Notes,” “Description of other material indebtedness—2021 Notes,” “Description of other material indebtedness—2019 Notes,” “Description of other material indebtedness—Private Notes,” “Description of other material indebtedness—2020 Notes,” “Description of other material indebtedness—September 2023 Notes,” “Description of other material indebtedness—2026 Notes,” “Description of other material indebtedness—2022 Notes” and “Description of other material indebtedness—November 2018 Notes.”

Corporate bonds

We also generate cash from proceeds from the issuance of domestic corporate bonds and Islamic medium term notes. See “Description of other material indebtedness.”

Receipts under securitization arrangements

We also generate cash from receipts under securitization arrangements. See “Description of other material indebtedness.” We may issue additional asset-back securities in varying structures in the future. We are exploring the feasibilities of structuring asset-backed securities that are not considered financial liabilities on our statement of financial position, by assigning our rights to receive payments from property purchasers of our projects. Depending on investor feedback, we may be required to provide liquidity support or guarantee payment shortfalls for the asset-backed securities.

Restricted cash

Pursuant to relevant regulations, certain of our project companies are required to deposit a portion of proceeds from the pre-sales of properties into specific bank accounts. Before the completion of the pre-sold properties, the proceeds deposited in the escrow accounts may only be used for the restricted purposes of purchasing construction materials, equipment, making interim construction payments and paying taxes, with the prior approval of the relevant local authorities. As of December 31, 2014, 2015 and 2016 and June 30, 2017, our restricted cash amounted to RMB8,453.5 million (comprising guarantee deposits for construction of pre-sold properties), RMB11,637.1 million (comprising guarantee deposits for construction of pre-sold properties), RMB11,844.0 million (US\$1,747.1 million)(comprising guarantee deposits for construction of pre-sold properties) and RMB10,016.5 million (US\$1,477.5 million) (comprising guarantee deposits for construction of pre-sold properties), respectively.

Contingent liabilities

As of June 30, 2017, we provided guarantees of approximately RMB219,761.1 million (US\$32,416.5 million) to PRC banks in respect of the mortgaged loans provided by the banks to purchasers of our developed properties. The majority of the guarantees are discharged upon the earlier of the issuance of the individual property ownership certificate to the owner of the property or the certificate of other rights of property to the mortgage bank which will generally be available within three months after we deliver the relevant property to the purchasers, or upon the full settlement of the mortgaged loans by the purchaser. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, we are responsible for repaying the outstanding mortgage principal together with accrued interest and penalty owed by the defaulted purchasers to the banks and we are entitled to take legal title to and possession of the relevant properties. Of the amounts as of June 30, 2017, approximately no guarantee was to be discharged two years from the day the mortgage loans become due; and approximately RMB219,761.1 million (US\$32,416.5 million) was to be discharged upon the earlier of (i) issuance of the real estate ownership certificates which are generally available within three months after the purchasers take possession of the relevant properties and (ii) the satisfaction of mortgaged loans by the purchasers of properties.

As of June 30, 2017, we had not provided guarantees to Malaysian banks in respect of the mortgaged loans provided by the banks to purchasers of our developed properties.

In addition, we provided guarantees for certain borrowings of associates and joint ventures. As of June 30, 2017, our guarantees provided for associates and joint ventures for their borrowings amounted to RMB22,325.5 million (US\$3,293.2 million).

In October 2016, we entered into an asset backed securitization arrangement whereby the rights to receive payments for property sales for one of our Malaysian projects were assigned to a third party entity. The third party entity issued securities in an aggregate principal amount of US\$120,000,000 in October 2016, for which we provided a guarantee on payment shortfalls of the third party entity.

Capital commitments

We incurred capital commitments from contracted construction fees and land premium for future property developments. We expect to fund such capital commitments principally from the pre-sale proceeds of our properties and partly from bank borrowings.

For additional information about our capital commitments, see note 40 to our audited consolidated financial information as of and for the year ended December 31, 2016 included elsewhere in this offering memorandum.

Market risk

Interest rate risk

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

Currently, our borrowings primarily consist of loans from commercial banks, receipts under securitization arrangements, the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes, the 2014 Club Loan, the 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan and the corporate bonds. As of December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, our total borrowings amounted to RMB61,068.7 million, RMB89,743.8 million, RMB136,196.9 million (US\$20,090.1 million) and RMB162,432.1 million (US\$23,960.0 million), respectively. We currently have some derivative instruments to hedge our interest rate risk. We designate some of our derivative instruments as hedges of foreign exchange and interest rate risks associated with the cash flows of our foreign currency borrowings.

Borrowings issued at variable rates expose us to cash flow interest rate risk while borrowings issued at fixed rates expose us to fair value interest rate risk. In addition, any increase of benchmark lending rates published by PBOC may result in an increase in our interest costs, as most of our bank borrowings bear floating interest rates linked to PBOC-published rates. The PBOC-published benchmark one-year lending rate, which directly affect the property mortgage rates offered by commercial banks in China, as of December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 was 5.60%, 4.35%, 4.35% and 4.35%, respectively. We cannot assure you that PBOC will not raise lending rates in the future or that our business, financial condition and results of operations will not be adversely affected as a result of these adjustments.

Foreign exchange risk

We conduct most of our sales and purchases in Renminbi except for a small portion of our sales proceeds that are in other currencies. Our exposure to foreign exchange risk is principally due to our outstanding foreign currency borrowings that are mainly denominated in U.S. dollars, H.K. dollars, Malaysian ringgit, and Australia dollars. As of June 30, 2017, we had U.S. dollar-denominated debt totaling approximately US\$2,093.0 million (RMB14,189.4 million), representing among others, the 2023 Notes in the aggregate principal amount of US\$750.0 million, the 2021 Notes in the aggregate principal amount of US\$750.0 million, the 2019 Notes in the aggregate principal amount of US\$550.0 million, the Private Notes in the aggregate principal amount of US\$250.0 million, the 2020 Notes in the aggregate principal amount of US\$900.0 million, the 2023 September Notes in the aggregate principal amount of US\$650.0 million, the 2026 Notes in the aggregate principal amount of US\$350.0 million, the 2022 Notes in the aggregate principal amount of US\$ 600.0 million, the November 2018 Notes in the aggregate principal amount of US\$500.0 million, H.K. dollar-denominated debt totaling approximately HK\$7,685.1 million (RMB6,687.3 million) (US\$986.4 million), representing primarily outstanding amounts under certain term loans, and a relatively small amount of Malaysian-ringgit and Australian-denominated debt totaling approximately RMB2,757.4 million (US\$406.7 million). As of the same date, other than Renminbi, we had aggregate cash and bank balances denominated in H.K. dollars of RMB2,475.8 million (US\$365.2 million), in U.S. dollars of RMB7,056.0 million (US\$1,040.8 million), in Malaysian Ringgit of RMB3,930.0 million (US\$579.7 million) and in Australian dollars and other currencies of RMB393.1 million (US\$58.0 million). Since 2015, we have adopted foreign currency hedging instruments to better manage our foreign exchange risks, using a combination of foreign exchange forward contracts, foreign currency option contracts and foreign currency swap contracts. In June 2016, we entered into the GS ISDA Agreement with Goldman Sachs International, our obligations under which are guaranteed by the Subsidiary Guarantors under the GS Guarantee and secured by the Collateral. In May 2017, we entered into the DB ISDA Agreement with Deutsche Bank AG, our obligations under which are guaranteed by the Subsidiary Guarantors under the DB Guarantee and secured by the Collateral. Going forward, we may enter into further swap arrangements that require us to provide guarantees and security.

We recognize foreign exchange gain or loss on our statement of comprehensive income due to changes in value of assets and liabilities denominated in foreign currencies during the relevant accounting period.

Appreciation of the Renminbi against the U.S. dollar generally results in a gain arising from our U.S. dollar-denominated debt and a loss arising from our bank deposits in H.K. dollars and U.S. dollars. A depreciation of the Renminbi against the U.S. dollar would have the opposite effect. In addition, a depreciation of Renminbi would negatively affect the value of dividends paid by our PRC subsidiaries, which may in turn affect our ability to service foreign currency-denominated debts.

Fluctuations in the foreign exchange rate have had and will continue to have an impact on our business, financial condition and results of operations. See “Risk factors—Risks relating to the Notes—We may be subject to risks presented by fluctuations in exchange rates between the Renminbi and other currencies, particularly U.S. dollars.”

Inflation

According to the China Statistical Bureau, China's overall national inflation rate, as represented by the general consumer price index, was approximately 2.6%, 2.0%, 1.4% and 2.0% in 2013, 2014, 2015 and 2016, respectively. Deflation could negatively affect our business as it would be a disincentive for prospective property buyers to make a purchase. Historically, we have not been materially affected by any inflation or deflation.

Non-GAAP financial measures

We use EBITDA and EBITDA margin to provide additional information about our operating performance. EBITDA refers to our operating profit plus finance income, depreciation of property, plant and equipment and investment property, amortization of land use rights and intangible assets, net of exchange gains or losses. EBITDA margin is calculated by dividing EBITDA by revenue.

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 operating profit. We operate in a capital intensive industry. We use EBITDA in addition to operating profit because operating profit includes many accounting items associated with capital expenditures, such as depreciation of property, plant and equipment and investment property, as well as non-operating items, such as amortization of land use rights. 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 land use rights amortization, 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 operating profit under HKFRS to our definition of EBITDA for the periods indicated:

(RMB in millions)	For the year ended December 31,			For the six months
	2014	2015	2016	ended June 30,
				2017
Operating profit	16,605.0	16,178.4	22,124.1	11,573.3
Adjustments :				
Interest income	254.7	221.1	532.9	405.5
Depreciation of property, plant and equipment and investment property	509.2	596.6	697.5	387.6
Amortization of land use rights ⁽¹⁾	60.5	57.1	60.7	34.7
Amortization of intangible assets	6.3	10.6	19.1	10.1
Net foreign exchange gains/(loss)	(260.8)	(1,203.2)	(1,485.1)	425.0
EBITDA	17,174.9	15,860.6	21,949.2	12,836.2

Note:

(1) Represents amortization of land use rights for properties other than those held for development and subsequent sale, such as hotel properties. For further information, see “—Critical accounting policies—land use rights cost.”

You should not consider our definition of EBITDA in isolation or construe it as an alternative to operating profit or as an indicator of operating performance or any other standard measure under HKFRS. Our definition of EBITDA does not account for taxes and other non-operating cash expenses. Our EBITDA measures may not be comparable to similarly titled measures used by other companies. You should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. See “Description of the Notes—Definitions” for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.

Industry overview

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

The economy of the PRC

The PRC economy has grown significantly since the PRC government introduced economic reforms in the late 1970s. China's accession to the World Trade Organization in 2001 has further accelerated the reform of the PRC economy. China's nominal GDP has increased from approximately RMB41,303.0 billion in 2010 to approximately RMB74,412.7 billion in 2016 at a compound annual growth rate, or CAGR, of approximately 10.3%.

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

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Nominal GDP (RMB in billions)	41,303.0	48,930.1	54,036.7	59,524.4	64,397.4	68,905.2	74,412.7	10.3%	8.3%
Real GDP growth rate (%)	10.6%	9.5%	7.9%	7.8%	7.3%	6.9%	N/A	N/A	N/A
Per capita GDP (RMB)	30,876.0	36,403.0	40,007.0	43,852.0	47,203.0	49,992.0	53,980.0	9.8%	7.8%
Foreign Direct Investment (US\$ in billions)	114.7	124	121.1	123.9	128.5	126.3	N/A	N/A	N/A
Fixed Asset Investment (RMB in billions)	24,141.5	30,193.3	36,483.5	43,652.8	50,200.5	55,159.0	59,650.1	16.3%	13.1%

Source: CEIC

Since 2004, with a view to preventing China's economy from overheating and to achieving more balanced and sustainable economic growth, the PRC government has taken various measures to control money supply, credit availability and fixed assets investment. In particular, the PRC government has taken measures to discourage speculation in the residential property market and has increased the supply of affordable housing. See the section headed "Regulation".

The property industry in the PRC

Property reforms

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

- 1988 The PRC government amended the national constitution to permit the transfer of state-owned land use rights
- 1992 Public housing sales in major cities commenced

- 1994 The PRC government further implemented property reform and established an employer/employee-funded housing fund
- 1995 The PRC government issued regulations regarding the sales and pre-sales of property, establishing a regulatory framework for property sales
- 1998 The PRC government abolished state-allocated housing policy
- The Guangdong government issued regulations on the administration of pre-sales of commodity properties in Guangdong Province
- 1999 The PRC government extended maximum mortgage term to 30 years
- The PRC government increased maximum mortgage financing from 70% to 80%
- The PRC government formalized procedures for the sale of property in the secondary market
- 2000 The PRC government issued regulations to standardize the quality of construction projects, establishing a framework for administering construction quality
- 2001 The PRC government issued regulations relating to the sales of commodity properties
- 2002 The PRC government promulgated the Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-Sale
- The PRC government eliminated the dual system for domestic and overseas home buyers in China
- 2003 The PRC government promulgated rules for more stringent administration of property loans with a view to reducing the credit and systemic risks associated with such loans
- The State Council issued a notice for sustainable and healthy development of the property market
- 2004 The State Council issued a notice requiring that, with respect to property development projects (excluding ordinary standard residential houses), the proportion of capital funds should be increased from 20% to 35%. The Ministry of Construction amended Administrative Measures on the Pre-sale of Commercial Housing in Cities. CBRC issued the Guideline for Commercial Banks on Risks of Real Estate Loans to further strengthen the risk management of commercial banks on property loans
- 2005 The PRC government instituted additional measures to discourage speculation in certain regional markets including increasing the minimum required down payment to 30% of the total purchase price, eliminating the preferential mortgage interest rate for residential housing, imposing a business tax of 5% for sales within two years of purchase, and prohibiting reselling unfinished properties before they are completed
- 2006 to mid-2008 The PRC government implemented additional land supply, bank financing, foreign investment and other measures to curtail fast increases in property prices, to encourage the development of middle- to low-end housing and to promote healthy development of the PRC property industry

- The PRC government issued regulations to urge the full and effective use of existing construction land and the preservation of farming land and rules to control financial institutions' property financings to further curtail speculation, over development and fast increases in property prices
- Mid-2008 to third quarter of 2009 The PRC government implemented a number of measures to combat the global economic slowdown. These measures include the lowering of the PBOC benchmark bank lending rates, the internal capital ratio for property projects and the down payment requirements for purchasing residential properties
- Fourth quarter of 2009 The PRC government adjusted some of its policies in order to enhance regulation in the property market, to restrain property purchases for investment or speculation purposes and to keep property prices from rising too quickly in certain cities, including abolishing certain preferential treatment relating to business tax payable upon transfers of residential properties
- 2010 The PRC government issued a number of measures and policies to curtail the overheating of the property market. Such policy adjustments include abolishment of certain preferential treatment relating to business taxes payable upon transfers of residential properties by property owners, suspending the grant of mortgage loans to non-residents who cannot provide any proof of local tax or social security payments for more than one year, and limiting the number of residential properties that one family can purchase in certain areas, such as Guangzhou, Shenzhen, Suzhou, Nanjing, Tianjin, Wuhan, Ningbo, Fuzhou, Nanchang, Hangzhou and Dalian. The PRC government also clarified certain issues with respect to the calculation, settlement and collection of LAT in order to enforce the settlement and collection of LAT, and the criteria for commercial banks to identify the second residential property when approving mortgage loans
- 2011 The PRC government implemented measures aimed at further cooling the real estate property market. These measures include increasing the minimum down payment to at least 60% of the total purchase price, setting minimum mortgage lending interest rate of 110% of the benchmark rate, levying business tax on the full amount of transfer price if an individual owner transfers a residential property within five years of purchase. There are also other measures targeting certain cities restricting purchasers from acquiring second (or further) residential properties and restricting non-residents that cannot provide any proof of local tax or social security payments for more than a specified time period from purchasing any residential properties and imposing property tax. In addition, certain cities, including Beijing, Shanghai, Qingdao, Chengdu and Jinan, have promulgated measures further limiting the number of residential properties one family is allowed to purchase. Between February and July 2011, the People's Bank of China (PBOC) raised the one-year benchmark lending rate by 75 basis points from 5.81% to 6.56%
- 2012 The PRC government continued to implement selected policies aimed at further cooling the real estate property market. The NDRC announced in February 2012 that the government intended to limit mortgage loans for home purchases by foreigners to reduce overseas investment in the local property market. However, the PRC government reiterated its support for first-time homebuyers, including the construction of affordable housing and the offer of differentiated loans by China's four biggest state-owned banks to first-time homebuyers and to fund affordable

housing projects. Beginning in May 2012, the PRC government began to implement selected measures to support the growth of the Chinese economy. In May 2012, the government lowered banks' reserve requirement ratio by 50 basis points for the second time, lowering the reserve requirement ratio for the country's largest financial institutions to 20%. The PRC government also lowered the PBOC one-year benchmark lending rate for the first time since December 2008, reducing the one-year benchmark lending rate by 56 basis points to 6.0%. In August 2012, the PRC government began preparing the implementation of a broader property tax following initial trials in Shanghai and Chongqing, with tax governors from across the country undergoing a six-month training program organized by the State Administration of Taxation to prepare for the tax's implementation. In December 2012, the PRC government announced its affordable housing program for 2013, with plans to start construction on 6 million units and complete 4.6 million units in 2013.

2013 On February 20, 2013, the PRC government released five new policies to regulate the real estate market, including new initiatives to control speculative property investments, increase housing and land supply and step up construction of affordable housing. On February 26, 2013, the State Council issued six property tightening measures, which included an income tax levy on homeowners of as high as 20 percent on profit made from selling their homes. The State Council also stated that local branches of the central bank in certain cities could increase their down payment rate and mortgage loan interest rate for homebuyers purchasing a second unit. Furthermore, the new measures stipulated that non-local families without a certain number of years of tax payment certificates would be banned from buying homes in the cities in which they currently reside. In the third quarter of 2013, the minimum down payment for the second purchase of residential properties has been raised to 70 percent by several cities.

2014 To support the demand of purchasers of residential property and to promote the sustainable development of the real estate market, the PBOC and the CBRC jointly issued the Notice on Further Improving Financial Services for Residential Property on September 29, 2014, which provides that for any family that wishes to use a loan to purchase a residential property, the minimum down payment will be 30% of the property price and the minimum loan interest rate will be 70% of the benchmark lending interest rate, with the specific terms of such loan to be decided by the banking financial institution that provides the loan, based on the risk profile of the borrower. Where a family that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply mortgage loan policy for first-time purchasers of residential property. In cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off its existing mortgage loans applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide

mortgage loans to non-local residents that meet the conditions required by the related policies.

2015 As of March 1, 2015, the new property registration rules in China unify property registration nationwide. The new registration system shares information such as property location, area and origin of ownership in real time among government departments including the police, taxation and audit authorities. On March 30, 2015, the PBOC, CBRC and the MOHURD jointly announced an easing of the housing mortgage policy. The second-home down payment requirement for self-use ordinary housing was lowered from between 60 to 70% to 40%, and the minimum interest rate of 110% of the benchmark lending rate was eliminated. The down payment requirement eased from 30% to 20% for first home purchases under housing provident fund scheme, and from 40% to 30% for second home purchases. The MOF exempted business tax on second-hand sales of ordinary housing held for more than two years. On September 24, 2015, the PBOC and CBRC jointly announced a notice to lower the minimum down payment of the acquisition of first self-used ordinary residential property to 25% of the purchase price in the cities where restrictions on purchase of residential property are not being implemented. In September 2015, the State Council decreased the capital fund ratio for property projects (excluding affordable housing projects and ordinary commodity residential projects) to 25%.

2016 On February 1, 2016, the PBOC and CBRC jointly issued a notice which provides that in cities where restrictions on purchase of residential property are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners who have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%. From May 1, 2016, the reform to replace business tax with value-added tax is implemented nationwide and expanded to cover several key sectors such as real estate, construction, financial services and lifestyle services.

On September 3, 2016, the NPCSC adopted a decision on amending the law of foreign invested companies which became effective from October 1, 2016. Upon the effectiveness of the decision, the establishment of a foreign invested enterprise and its subsequent changes will be required to be filed with the relevant authorities instead of obtaining approvals from relevant commerce authorities, except for foreign invested enterprises which are subject to the special administrative measures regarding foreign investment entry. On September 30, 2016, the State Administration for Industry & Commerce issued a circular on relevant issues of the registration of foreign invested enterprises to implement the decision of NPCSC. On October 8, 2016, the NDRC and the MOFCOM jointly issued a notice regarding the scope of industries subject to the

special administrative measures for foreign investment entry. On the same day, the MOFCOM promulgated the Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises.

Since September 30, 2016, Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Suzhou, Zhengzhou, Jinan, Qingdao, Wuxi, Hefei, Wuhan, Nanjing, Foshan, Dongguan, Fuzhou, Huizhou, Hangzhou, Shijiazhuang, Langfang, Baoding, Cangzhou, Chengde, Chengdu, Chuzhou, Changsha, Xiamen, Zhongshan and other cities have issued new property market control policies, including restoring or strengthening the restriction on purchases of residential properties and tightening credit policy.

2017 On March 15, 2017, the National People’s Congress of the PRC promulgated the General Rules of the Civil Law of the PRC which became effective from October 1, 2017 and which will set forth the basic principles and general rules for regulating civil activities in the PRC.

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

The property reforms, together with the economic growth of China, an increase in disposable income, the emergence of the mortgage lending market and an increase in the urbanization rate, are key factors in sustaining the growth of China’s property market. Government housing reforms continue to encourage private ownership and it is expected that the proportion of urban residents who own their private properties will continue to increase.

The table below sets out selected data relating to China’s urbanization and disposable income of urban households in China for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Urban population (in millions)	669.8	690.8	711.8	731.1	749.2	771.2	793.0	2.9%	2.7%
Total population (in millions)	1,340.9	1,347.4	1,354.0	1,360.7	1,367.8	1,374.6	1,382.7	0.5%	0.5%
Urbanization rate (%)	49.9%	51.3%	52.6%	53.7%	54.8%	55.9%	59.7%	3.1%	3.2%
Per capita disposable income of urban households (RMB)	19,109.4	21,809.8	24,564.7	26,467.0	28,843.9	31,194.8	N/A	N/A	N/A

Source: CEIC

The property market in China

Prices for property in China increased from 2010 to 2016, with the average price of residential properties in China increasing from approximately RMB4,725.0 per sq.m. in 2010 to approximately RMB7,203.0 per sq.m. in 2016, while the average price for commodity properties in the same period increased from approximately RMB5,032.0 per sq.m. in 2010 to approximately RMB7,476.0 per sq.m. in 2016.

In addition, investment in property development increased from approximately RMB4,826.7 billion in 2010 to approximately RMB10,258.1 billion in 2016.

The table below sets out selected data relating to the property market in China for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Investment in property development (RMB in billions)	4,826.7	6,173.9	7,180.4	8,601.3	9,503.6	9,597.9	10,258.1	13.4%	9.3%
Total GFA sold (sq.m. in millions) . . .	1,047.6	1,093.7	1,113.0	1,305.5	1,206.5	1,284.9	1,573.5	7.0%	9.1%
GFA of residential properties sold (sq.m. in millions) . . .	933.8	965.3	984.7	1,157.2	1,051.8	1,124.1	1,375.4	6.7%	8.7%
Average price of commodity properties (RMB per sq.m.)	5,032.0	5,357.1	5,791.0	6,237.3	6,323.0	6,793.0	7,476.0	6.8%	6.6%
Average price of residential properties (RMB per sq.m.)	4,725.0	4,993.2	5,429.9	5,849.8	5,932.0	6,472.0	7,203.0	7.3%	7.3%

Source: CEIC

Real estate sales revenue

The upward trend in the China property industry is evidenced by the growth of revenue from the sale of properties in China. According to CEIC, the total GFA of residential properties sold in the PRC increased from approximately 933.8 million sq.m. in 2010 to approximately 1,375.4 million sq.m. in 2016. During the same period, total GFA sold increased from approximately 1,047.6 million sq.m. in 2010 to approximately 1,573.5 million sq.m. in 2016.

The property market in Guangdong Province

Guangdong Province is located in the southern region of China. It has an area of approximately 179,813 sq.km. In 2015, Guangdong Province had a population of approximately 108.5 million. The real GDP growth rate of Guangdong Province exceeded the average national growth rate in each of the past 10 years and the per capita GDP of Guangdong Province was significantly higher than the national average. The table below sets out selected economic statistics of Guangdong Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Nominal GDP (RMB in billions)	4,601.3	5,321.0	5,706.8	6,247.5	6,781.0	7,281.3	7,951.2	9.6%	8.6%
Real GDP growth rate (%)	12.5	10.0	8.2	8.5	7.8	8.0	N/A	N/A	N/A
Per capita GDP (RMB)	44,735.6	50,807.0	54,095.0	58,833.0	63,469.0	67,503.0	N/A	N/A	N/A
Per capita disposable income of urban households	23,897.8	26,897.5	30,226.7	29,537.3	32,148.1	34,757.2	37,684.0	7.9%	5.7%

Source: CEIC, Wind

According to the CEIC, properties with a total GFA of 65.9 million sq.m. were completed in Guangdong Province in 2016, representing a CAGR of 2.5% since 2010. A total of 146.1 million sq.m. of total GFA was sold. The table below sets out selected data relating to the property market in Guangdong Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Total GFA completed (sq.m. in millions) ..	56.6	61.4	63.6	62.7	73.3	60.4	65.9	2.5%	0.8%
GFA of residential properties completed (sq.m. in millions)	45.9	48.8	49.2	47.5	54.4	44.4	47.7	0.7%	-1.0%
Total GFA sold (sq.m. in millions)	73.2	74.3	79.0	98.4	93.2	116.8	146.1	12.3%	16.6%
% of total GFA sold in the PRC	7.0%	6.8%	7.1%	7.5%	7.7%	9.1%	9.3%	4.9%	7.0%
GFA of residential properties sold (sq.m. in millions) ..	65.5	67.1	71.6	88.3	81.6	104.9	130.2	12.1%	16.1%
Total sales revenue (RMB in billions) ...	548.1	585.3	640.8	894.1	846.2	1,144.3	1,621.5	19.8%	26.1%
Sales revenue from residential properties (RMB in billions)	459.0	507.1	548.8	747.6	696.0	996.7	1,424.0	20.8%	26.9%
Average price of commodity properties (RMB per sq.m.)	7,486.0	7,879.2	8,112.2	9,089.8	9,083.0	9,796.1	11,097.1	6.8%	8.2%
Average price of residential properties (RMB per sq.m.)	7,004.0	7,560.8	7,667.9	8,465.8	8,526.0	9,494.8	10,935.6	7.71%	9.3%

Source: CEIC, Wind

Guangzhou City

Guangzhou is the largest city in southern China and the capital of Guangdong Province, located in the central southern region of the province. In 2015, Guangzhou had a population of approximately 13.5 million. The city experienced a high GDP growth rate for the years from 2010 to 2015. Guangzhou's GDP reached approximately RMB1,810.0 billion in 2015. The table below sets out selected economic statistics of Guangzhou for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP	1,074.8	1,242.3	1,355.1	1,542.0	1,670.7	1,810.0	11.0%	10.1%
Real GDP growth rate (%)	13.2	11.3	10.5	11.6	7.6	8.4	8.6%	7.2%
Per capita GDP (RMB)	87,458.0	97,588.0	105,908.9	119,695.0	128,478.0	134,066.0	8.9%	8.2%

Source: CEIC

Foshan City

Foshan is located in the central southern region of Guangdong Province, situated to the east of Guangzhou. In 2015, Foshan had a population of approximately 7.4 million. The city experienced a high GDP growth rate for the years from 2010 to 2015. Foshan's GDP reached approximately RMB800.4 billion in 2015. The table below sets out selected economic statistics of Foshan for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP	565.2	621.0	661.3	701.0	744.2	800.4	7.2%	6.6%
Real GDP growth rate (%)	14.3	11.4	8.2	10.0	8.3	8.5	9.9%	1.2%
Per capita GDP (RMB)	80,312.7	86,073.2	91,259.4	96,310.0	101,617.0	107,716.0	6.0%	5.7%

Source: CEIC

Jiangmen City

Jiangmen is located in the southern region of Guangdong Province, on the west side of the Pearl River Delta. In 2015, Jiangmen had a population of approximately 4.5 million. Jiangmen's GDP reached approximately RMB224.0 billion in 2015 representing a per capita GDP of approximately RMB49,608.0. The table below sets out selected economic statistics of Jiangmen for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP	157.0	183.1	188.0	200.0	208.3	224.0	7.4%	6.0%
Real GDP growth rate (%)	14.5	13.0	8.1	9.8	7.8	8.4	10.3%	1.2%
Per capita GDP (RMB)	35,621.7	41,062.5	42,028.4	44,546.0	46,237.0	49,608.0	6.8%	5.7%

Source: CEIC

Huizhou City

Huizhou is located in the southeastern region of Guangdong Province. In 2015, Huizhou had a population of approximately 4.8 million. Huizhou's GDP reached approximately RMB314.0 billion in 2015, representing a per capita GDP of approximately RMB66,231.0. The table below sets out selected economic statistics of Huizhou for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP	173.0	209.3	236.8	267.8	300.0	314.0	12.7%	9.9%
Real GDP growth rate (%)	18.0	14.6	12.6	13.6	10.0	9.0	12.9%	10.6%
Per capita GDP (RMB)	38,650.0	45,330.9	50,873.5	57,144.0	63,657.0	66,231.0	11.4%	9.2%

Source: CEIC

Shaoguan City

Shaoguan is located in the northern region of Guangdong Province. In 2015, Shaoguan had a population of approximately 2.9 million. Shaoguan's GDP reached approximately RMB115.0

billion in 2015. The table below sets out selected economic statistics of Shaoguan for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP	68.3	81.7	90.6	101.0	111.3	115.0	11.0%	8.3%
Real GDP growth rate (%)	12.5	12.1	10.0	12.1	9.6	6.2	13.1%	14.7%
Per capita GDP (RMB)	24,050.4	28,759.9	31,702.2	35,063.0	38,386.0	39,380.0	10.4%	7.5%

Source: CEIC

Qingyuan City

Qingyuan is located northwestern region of Guangdong Province. In 2015, Qingyuan had a population of approximately 3.8 million. Qingyuan's GDP reached approximately RMB119.7 billion in 2014, representing a per capita GDP of RMB31,447.0. The table below sets out selected economic statistics of Qingyuan for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP	87.0	100.3	102.5	109.3	119.7	N/A	N/A	N/A
Real GDP growth rate (%)	12.9	8.3	5.1	8.2	107.9	N/A	N/A	N/A
Per capita GDP (RMB)	23,569.0	26,956.7	27,319.6	28,928.0	31,477.0	N/A	N/A	N/A

Source: CEIC

Zhaoqing City

Zhaoqing is located in the northwestern region of Guangdong Province. In 2015, Zhaoqing had a population of approximately 4.1 million. Zhaoqing's GDP reached approximately RMB197.0 billion in 2015. The table below sets out selected economic statistics of Shaoguan for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP	108.6	132.4	146.2	166.0	184.5	197.0	12.6%	10.5%
Real GDP growth rate (%)	17.5	14.7	11.0	11.5	10.0	8.2	14.1%	9.3%
Per capita GDP (RMB)	27,986.6	33,642.0	36,864.3	41,479.0	45,795.0	48,670.0	11.7%	9.7%

Source: CEIC

Meizhou City

Meizhou is located in the eastern region of Guangdong Province. In 2015, Meizhou had a population of approximately 4.3 million. Meizhou's GDP reached approximately RMB95.5 billion in 2015. The table below sets out selected economic statistics of Shaoguan for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP	61.3	70.8	74.5	80.0	88.6	95.5	9.3%	8.6%
Real GDP growth rate (%)	14.1	13.6	10.1	11.1	8.5	8.6	9.4%	5.2%
Per capita GDP (RMB)	14,553.9	16,623.1	17,396.3	18,603.0	20,529.0	22,047.0	8.7%	8.2%

Source: CEIC

Maoming City

Maoming is located in the southwestern region of Guangdong Province. In 2015, Maoming had a population of approximately 6.1 million. Maoming's GDP reached approximately RMB244.6 billion in 2015. The table below sets out selected economic statistics of Shaoguan for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP	149.2	174.5	193.6	216.0	234.9	244.6	10.4%	8.1%
Real GDP growth rate (%)	14.1	10.8	10.6	13.2	10.4	8.0	10.7%	9.0%
Per capita GDP (RMB)	25,495.9	29,811.4	32,677.6	36,063.0	38,951.0	40,324.0	9.6%	7.3%

Source: CEIC

Dongguan City

Dongguan is located in the central southern region of Guangdong Province, south of the provincial capital Guangzhou. In 2015, Dongguan had a population of approximately 8.3 million. Dongguan's GDP reached approximately RMB627.5 billion in 2015, representing a per capita GDP of approximately RMB75,616.0. The table below sets out selected economic statistics of Dongguan for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP	424.6	473.5	501.0	549.0	588.1	627.5	8.1%	7.8%
Real GDP growth rate (%)	10.3	8.0	6.1	9.8	7.8	8.0	4.9%	9.5%
Per capita GDP (RMB)	52,798.2	57,469.8	60,556.5	66,109.0	70,605.0	75,616.0	7.4%	7.7%

Source: CEIC

The property market in Hunan Province

Hunan Province is located in the southern region of China, to the north of Guangdong Province. It has an area of approximately 211,487 sq.km. In 2015, Hunan Province had a population of approximately 67.8 million. The table below sets out selected economic statistics of Hunan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Nominal GDP (RMB in billions)	1,603.8	1,967.0	2,215.4	2,462.0	2,704.0	2,905.0	3,124.5	11.8%	9.0%
Real GDP growth rate (%)	14.6	12.8	11.3	10.1	9.5	8.6	N/A	N/A	N/A
Per capita GDP (RMB)	24,719.0	29,880.0	33,480.0	36,943.0	40,270.5	42,968.0	N/A	N/A	N/A
Per capita disposable income of urban households .	16,565.7	18,844.1	21,318.8	24,352.0	26,570.2	28,838.1	31,284.0	11.2%	10.1%

Source: CEIC, Wind

According to CEIC, properties with a total GFA of 45.3 mm sq.m. were completed in Hunan Province in 2016. The total sales revenue amounted to approximately RMB375.2 billion, of which approximately RMB311.4 billion was from the sale of residential properties. The average price per sq.m. of commodity properties and residential properties in Hunan Province in 2016 was approximately RMB4,640.3 and RMB4,330.1, respectively, representing a CAGR of 6.7% and 6.2%, respectively, since 2010. The table below sets out selected data on the property market in Hunan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Total GFA completed (sq.m. in millions)	33.5	41.5	44.6	45.9	40.2	39.7	45.3	5.2%	0.4%
GFA of residential properties completed (sq.m. in millions)	28.3	34.4	36.9	37.6	31.8	30.9	33.6	2.9%	-2.3%
Total GFA sold (sq.m. in millions)	44.7	49.0	51.5	59.5	54.4	63.6	80.9	10.4%	12%
% of total GFA sold in the PRC	4.3%	4.5%	4.6%	4.6%	4.51%	4.95%	5.1%	2.9%	2.9%
GFA of residential properties sold (sq.m. in millions)	41.4	44.6	46.6	54.1	45.5	56.7	71.9	9.6%	11.5%
Total sales revenue (RMB in billions)	140.6	185.7	208.5	252.6	229.9	273.9	375.2	17.8%	15.8%
Sales revenue from residential properties (RMB in billions)	124.8	157.0	171.2	211.5	185.9	225.4	311.4	16.5%	16.1%
Average price of commodity properties (RMB per sq.m.)	3,146.0	3,790.3	4,048.6	4,243.1	4,227.0	4,304.4	4,640.3	6.7%	3.47%
Average price of residential properties (RMB per sq.m.)	3,014.0	3,523.6	3,669.6	3,908.3	3,830.0	3,974.2	4,330.1	6.2%	4.2%

Source: CEIC, Wind

Changsha City

Changsha is the capital of Hunan Province, located in the central eastern region of the province. In 2015, Changsha had a population of approximately 7.4 million. Changsha's GDP reached approximately RMB851.0 billion in 2015, representing a per capita GDP of approximately RMB115,443.0. The table below sets out selected economic statistics of Changsha for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP	454.7	561.9	640.0	715.3	782.5	851.0	13.4%	10.0%
Real GDP growth rate (%)	15.5	14.5	13.0	12.0	10.5	9.9	8.6%	8.7%
Per capita GDP (RMB)	66,443.0	79,530.0	89,903.0	99,570.0	107,683.0	115,443.0	11.7%	8.7%

Source: CEIC

The property market in Jiangsu Province

Jiangsu Province is located along the east coast of China. It has an area of approximately 102,600 sq.km. In 2015, Jiangsu Province had a population of approximately 79.8 million. Jiangsu's per capita disposable income of urban households in 2016 was RMB40,152.0. The table below sets out selected economic statistics of Jiangsu Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Nominal GDP (RMB in billions)	4,142.5	4,911.0	5,405.8	5,975.3	6,508.8	7,011.6	7,608.6	10.7%	8.7%
Real GDP growth rate (%)	12.7	11.0	10.1	9.6	8.7	8.5	N/A	N/A	N/A
Per capita GDP (RMB)	52,840.0	62,290.0	68,347.0	75,354.0	81,874.0	87,995.0	N/A	N/A	N/A
Per capita disposable income of urban households	22,944.3	26,340.7	29,677.0	31,585.5	34,346.3	37,173.5	40,152.0	9.8%	7.9%

Source: CEIC, Wind

The table below sets out selected data on the property market in Jiangsu Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Total GFA completed (sq.m. in millions)	87.0	84.5	98.5	97.1	96.2	102.9	100.7	2.47%	0.6%
GFA of residential properties completed (sq.m. in millions)	65.5	64.8	76.9	75.8	72.6	79.3	76.0	2.5%	-0.3%
Total GFA sold (sq.m. in millions)	94.9	79.7	90.2	114.5	98.5	114.1	139.6	6.6%	11.5%
% of total GFA sold in the PRC	9.1%	7.3%	8.1%	8.8%	8.16%	8.88%	8.9%	-0.4%	2.4%
GFA of residential properties sold (sq.m. in millions)	81.1	67.7	79.2	101.9	88.0	102.8	126.6	7.7%	12.4%
Total sales revenue (RMB in billions)	554.0	522.4	606.7	791.4	689.8	839.6	1,229.3	14.2%	19.3%
Sales revenue from residential properties (RMB in billions)	453.7	415.9	508.9	677.8	596.9	737.5	1,105.5	16%	21.4%
Average price of commodity properties (RMB per sq.m.)	5,841.0	6,554.4	6,726.8	6,908.6	7,006.0	7,356.0	8,804.6	7.08%	6.96%
Average price of residential properties (RMB per sq.m.)	5,592.0	6,145.2	6,422.8	6,650.3	6,783.0	7,176.8	8,734.1	7.7%	8.0%

Source: CEIC, Wind

Zhenjiang City

Zhenjiang is located in the southwestern region of Jiangsu Province. In 2015, Zhenjiang had a population of approximately 3.2 million. Zhenjiang's GDP reached approximately RMB350.2 billion in 2015, representing a per capita GDP of approximately RMB110,351.0. The table below sets out selected economic statistics of Zhenjiang for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP	198.8	231.1	263.0	292.7	325.2	350.2	12.0%	10.0%
Real GDP growth rate (%)	13.3	12.3	12.8	12.1	10.9	9.6	6.3%	9.1%
Per capita GDP (RMB)	64,284.4	73,980.6	83,650.7	92,633.0	102,652.0	110,351.0	11.4%	9.7%

Source: CEIC

The property market in Hubei Province

Hubei Province is located in the central region of China. It has an area of approximately 185,900 sq. km. In 2015, Hubei Province had a population of approximately 108.5 million. The table below sets out selected economic statistics of Hubei Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP (RMB in billions)	1,596.8	1,963.2	2,225.0	2,479.2	2,737.9	2,955.0	13.1%	9.9%
Real GDP growth rate (%)	14.8	13.8	11.3	10.1	9.7	8.9	9.7%	7.6%
Per capita GDP (RMB)	27,906.0	34,197.3	38,572.0	42,825.8	47,144.6	50,654.0	12.7%	9.5%
Per capita disposable income of urban households	16,058.4	18,373.9	20,839.6	22,667.9	24,852.3	27,051.5	11.0%	9.1%

Source: CEIC, Wind

According to CEIC, properties with a total GFA of 31.3 sq.m. were completed in Hubei Province in 2016, representing a CAGR of 3.5% since 2010. In 2016, the total sales revenue amounted to approximately RMB499.4 billion. The average price per sq.m. of commodity properties in Hubei Province in 2016 was approximately RMB6,724.0, representing a CAGR of 10.3% since 2010. The table below sets out selected data on the property market in Hubei Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Total GFA completed (sq.m. in millions)	25.4	32.2	32.7	30.4	34.3	27.9	31.3	3.5%	-1.1%
GFA of residential properties completed (sq.m. in millions)	21.3	27.3	28.0	25.5	28.1	21.9	23.5	1.7%	-4.3%
Total GFA sold (sq.m. in millions)	35.1	41.9	40.4	53.0	56.0	62.4	74.3	13.3%	16.5%
% of total GFA sold in the PRC	3.3%	3.8%	3.6%	4.1%	4.6%	4.9%	4.7%	6.1%	6.9%
GFA of residential properties sold (sq.m. in millions)	32.4	37.9	36.2	47.7	50.0	56.5	67.9	13.1%	17.0%
Total sales revenue (RMB in billions)	131.3	187.9	203.6	279.0	308.8	366.1	499.4	24.9%	25.2%
Sales revenue from residential properties (RMB in billions)	113.5	156.9	169.0	231.0	254.4	319.8	438.4	25.3%	26.9%
Average price of commodity properties (RMB per sq.m.)	3,743.0	4,486.4	5,042.8	5,266.2	5,513.0	5,863.3	6,724.0	10.3%	7.5%
Average price of residential properties (RMB per sq.m.)	3,506.0	4,142.1	4,668.0	4,847.2	5,085.0	5,663.4	6,457.0	10.7%	8.5%

Source: CEIC, Wind

Wuhan City

Wuhan is the capital of Hubei Province, located at the confluence of the Changjiang and Hanjiang Rivers. In 2015, Wuhan had a population of approximately 10.6 million. Wuhan's GDP reached approximately RMB1,090.6 billion in 2015. The table below sets out selected economic statistics of Wuhan for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP	556.6	676.2	800.4	905.1	1,006.9	1,090.6	14.4%	10.9%
Real GDP growth rate (%)	14.7	12.5	11.4	10.0	9.7	8.8	9.8%	8.3%
Per capita GDP (RMB)	58,961.0	68,315.0	79,482.0	88,999.7	98,000.0	104,132.0	12.0%	9.4%

Source: CEIC

The property market in Anhui Province

Anhui Province is located in east China, across the basins of the Yangtze River and the Huaihe River. It has an area of approximately 139,427 sq.km. In 2015, Anhui Province had a population of approximately 61.4 million. The table below sets out selected economic statistics of Anhui Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Nominal GDP (RMB in billions)	1,235.9	1,530.1	1,721.2	1,923.9	2,084.9	2,200.6	2411.8	11.8%	8.8%
Real GDP growth rate (%)	14.6	13.5	12.1	10.4	9.2	8.7	N/A	N/A	N/A
Per capita GDP (RMB)	20,887.8	25,659.3	28,792.0	32,000.9	34,424.6	35,997.0	39,092.0	11.01%	8.0%
Per capita disposable income of urban households	15,788.2	18,606.1	21,024.2	22,789.3	24,838.5	26,935.8	29,156.0	10.8%	8.5%

Source: CEIC, Wind

According to the CEIC, properties with a total GFA of 53.8 million in sq.m. were completed in Anhui Province in 2016. The total sales revenue amounted to approximately RMB503.6 billion. The average price per sq.m. of commodity properties in Anhui Province in 2016 was approximately RMB5,924.4, representing a CAGR of 5.9% since 2010.

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Total GFA completed (sq.m. in millions)	30.3	36.3	39.7	51.8	51.9	55.4	53.8	10.0%	7.9%
GFA of residential properties completed (sq.m. in millions)	24.1	28.9	31.2	39.2	38.3	40.9	40.5	9.0%	6.7%
Total GFA sold (sq.m. in millions)	41.5	46.1	48.3	62.7	62.0	61.7	85.0	12.7%	15.2%
% of total GFA sold in the PRC	4.0%	4.2%	4.3%	4.8%	5.1%	4.8%	5.4%	5.1%	5.9%
GFA of residential properties sold (sq.m. in millions)	36.4	39.9	42.8	55.7	53.7	53.6	75.1	12.8%	15.1%
Total sales revenue (RMB in billions)	174.7	220.0	233.0	318.3	334.5	336.9	503.6	19.3%	21.3%
Sales revenue from residential properties (RMB in billions)	142.0	174.5	192.2	266.2	269.2	271.4	423.2	20.0%	21.9%
Average price of commodity properties (RMB per sq.m.)	4,205.0	4,776.1	4,825.0	5,080.1	5,394.0	5,457.4	5,924.4	5.9%	5.3%
Average price of residential properties (RMB per sq.m.)	3,899.0	4,371.2	4,495.1	4,776.2	5,017.0	5,067.1	5,637.0	6.34%	5.8%

Source: CEIC, Wind

Hefei City

Hefei is the largest city and the capital of Anhui Province, located in the central region of the province. In 2015, Hefei had a population of approximately 7.8 million. Hefei's GDP reached approximately RMB566.0 billion in 2015, representing a per capita GDP of approximately RMB73,102.0. The table below sets out selected economic statistics of Hefei for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP	296.2	363.7	416.4	467.3	518.1	566.0	13.8%	10.8%
Real GDP growth rate (%)	17.0	15.4	13.6	11.5	10.0	10.5	9.2%	8.3%
Per capita GDP (RMB)	54,796.0	48,540.0	55,182.1	61,555.0	67,689.0	73,102.0	5.9%	9.8%

Source: CEIC

Chuzhou City

Chuzhou is located in the eastern region of Anhui Province. In 2015, Chuzhou had a population of approximately 4.2 million. Chuzhou's GDP reached approximately RMB130.6 billion in 2015, representing a per capita GDP of approximately RMB32,634.0. The table below sets out the selected economic statistics of Chuzhou for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP	69.6	85.0	97.1	108.6	121.4	130.6	13.4%	10.4%
Real GDP growth rate (%)	15.6	14.0	13.1	11.1	109.4	109.9	47.8%	103.2%
Per capita GDP (RMB)	17,400.0	21,608.0	24,649.8	27,474.0	30,562.0	32,634.0	13.4%	9.8%

Source: CEIC

The property market in Liaoning Province

Liaoning Province is located in the southern district of northeastern region of China. It has an area of approximately 148,000 sq.km. In 2015, Liaoning Province had a population of approximately 43.8 million. The table below sets out selected economic statistics of Liaoning Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Nominal GDP (RMB in billions)	1,845.7	2,222.7	2,484.6	2,721.3	2,862.7	2,874.3	2,203.8	3.0%	-3.0%
Real GDP growth rate (%)	14.2	12.2	9.5	8.7	5.8	3.0	N/A	N/A	N/A
Per capita GDP (RMB)	42,355.0	50,760.0	56,649.0	61,685.9	65,201.2	65,524.0	N/A	N/A	N/A
Per capita disposable income of urban households	17,712.6	20,466.8	23,222.7	26,697.0	29,081.7	31,125.7	32,876.0	10.9%	9.1%

Source: CEIC, Wind

According to the CEIC, the average price per sq.m. of commodity properties Liaoning Province in 2016 was approximately RMB6,080.2 representing a CAGR of 5.1% since 2010. The table below sets out selected data on the property market in Liaoning Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Total GFA completed (sq.m. in millions)	45.0	63.2	64.4	61.5	61.5	32.4	27.0	-8.2%	-
GFA of residential properties completed (sq.m. in millions)	36.9	52.3	51.3	50.3	49.4	25.3	22.1	-8.2%	-19.0%
Total GFA sold (sq.m. in millions)	68.0	75.4	88.3	92.9	57.5	39.2	37.1	9.6%	19.5%
% of total GFA sold in the PRC	6.5%	6.9%	7.9%	7.1%	4.8%	3.1%	2.4%	-15.3	-25.8%
GFA of residential properties sold (sq.m. in millions)	60.1	66.2	76.6	80.1	49.3	34.8	33.8	9.2%	-19%
Total sales revenue (RMB in billions)	306.3	356.9	436.3	475.9	309.2	225.5	225.7	-5.0%	-15.2%
Sales revenue from residential properties (RMB in billions)	258.8	300.9	361.1	394.2	251.9	190.8	198.8	-4.3%	-13.9%
Average price of commodity properties (RMB per sq.m.)	4,505.0	4,732.6	4,942.0	5,121.7	5,373.0	5,758.1	6,080.2	5.1%	5.3%
Average price of residential properties (RMB per sq.m.)	4,303.0	4,542.9	4,717.2	4,918.2	5,107.0	5,486.0	5,876.4	5.3%	5.7%

Source: CEIC

Shenyang City

Shenyang is the capital of Liaoning Province, located in the central region of the province. In 2015, Shenyang had a population of approximately 8.3 million. Shenyang's GDP reached approximately RMB728.1 billion in 2015, representing a per capita GDP of approximately RMB87,833.0. The table below sets out selected economic statistics of Shenyang for the periods indicated.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Nominal GDP	501.8	591.6	660.3	715.9	709.9	728.1	7.7%	3.3%
Real GDP growth rate (%)	14.1	12.3	10.0	8.8	5.9	103.5	49.0%	117.9%
Per capita GDP (RMB)	62,357.0	72,648.0	80,480.1	86,850.0	85,816.0	87,833.0	7.1%	3.0%

Source: CEIC

The property market in Hainan Province

Hainan Province is located in the southern region of China, in the South China Sea. It has an area of approximately 35,354 sq.km. In 2015, Hainan had a population of approximately 9.1 million. The table below sets out selected economic statistics of Hainan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Nominal GDP (RMB in billions)	206.5	252.3	285.6	317.8	350.1	370.3	404.5	11.9%	9.1%
Real GDP growth rate (%)	16.0	12.0	9.1	9.9	8.5	7.8	N/A	N/A	N/A
Per capita GDP (RMB)	23,831.0	28,898.0	32,377.0	35,663.0	38,923.7	40,818.0	N/A	N/A	N/A
Per capita disposable income of urban households . . .	15,581.1	18,369.0	20,917.7	22,411.4	24,486.5	26,356.4	28,453.0	10.6%	8.0%

Source: CEIC, Wind

According to the CEIC, the average price per sq.m. of commodity properties in Hainan Province in 2016 was approximately RMB9,878.5, representing a CAGR of 2.1% since 2010. The table below sets out selected data on the property market in Hainan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Total GFA completed (sq.m. in millions)	6.1	4.5	8.6	6.1	12.0	10.7	16.7	18.3%	11.7%
GFA of residential properties completed (sq.m. in millions)	5.2	4.0	7.3	5.2	10.5	9.2	14.4	18.5%	18.5%
Total GFA sold (sq.m. in millions)	8.5	8.7	9.3	11.9	10.0	10.5	15.1	10.1%	12.9%
% of total GFA sold in the PRC	0.8%	0.8%	0.8%	0.9%	0.8%	0.8%	1.0%	3.8%	5.7%
GFA of residential properties sold (sq.m. in millions)	8.3	8.2	9.0	11.5	9.4	9.8	14.2	9.4%	12.1%
Total sales revenue (RMB in billions)	74.7	77.4	73.6	103.3	93.5	98.3	149.0	12.2%	19.3%
Sales revenue from residential properties (RMB in billions)	73.4	74.4	70.2	99.7	87.3	90.9	138.5	11.2%	18.5%
Average price of commodity properties (RMB per sq.m.)	8,735.0	8,943.5	7,893.8	8,668.8	9,315.0	9,339.3	9,878.5	2.1%	5.8%
Average price of residential properties (RMB per sq.m.)	8,800.1	9,083.1	7,811.3	8,633.1	9,262.0	9,226.4	9,775.4	1.8%	0.5%

Source: CEIC

The property market in Guizhou Province

Guizhou Province is located in the southwestern region of China. It has an area of approximately 68,018 sq.km. In 2015, Guizhou had a population of approximately 35.0 million. The table below sets out selected economic statistics of Guizhou Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Nominal GDP (RMB in billions)	460.2	570.2	685.2	808.7	926.6	1,050.3	1,173.4	16.9%	14.4%
Real GDP growth rate (%)	12.8	15.0	13.6	12.5	10.8	10.7	N/A	N/A	N/A
Per capita GDP (RMB)	13,119.0	16,413.0	19,710.0	23,151.0	26,437.0	29,847.0	33,127.0	16.7%	13.9%
Per capita disposable income of urban households . . .	14,142.7	16,495.0	18,700.5	20,564.9	22,548.2	24,579.6	26,743.0	11.2%	9.4%

Source: CEIC, Wind

According to the CEIC, the average price per sq.m. of commodity properties in Guizhou Province in 2016 was approximately RMB4,307.3, representing a CAGR of 4.2% since 2010. The table below sets out selected data on the property market in Guizhou Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Total GFA completed (sq.m. in millions)	10.5	14.6	14.2	17.6	28.4	25.8	19.0	10.4%	7.6%
GFA of residential properties completed (sq.m. in millions)	8.3	11.0	11.2	13.5	20.5	19.3	12.8	7.5%	3.4%
Total GFA sold (sq.m. in millions)	17.3	18.8	21.9	29.7	31.8	35.6	41.6	15.8%	17.4%
% of total GFA sold in the PRC	1.7%	1.7%	2.0%	2.3%	2.6%	2.8%	2.6%	7.3%	6.8%
GFA of residential properties sold (sq.m. in millions)	16.0	17.0	20.0	26.5	27,070.9	29,433.7	34,269.6	259.0%	543.4%
Total sales revenue (RMB in billions)	58.1	73.2	90.0	127.7	137.0	157.2	179.1	20.6%	18.8%
Sales revenue from residential properties (RMB in billions)	50.2	59.3	74.0	98.9	100.0	106.8	126.9	16.7%	14.4%
Average price of commodity properties (RMB per sq.m.)	3,357.1	3,888.8	4,115.7	4,295.3	4,312.0	4,415.1	4,307.3	4.2%	1.1%
Average price of residential properties (RMB per sq.m.)	3,142.4	3,489.7	3,695.4	3,735.5	3,694.0	3,629.0	3,704.2	2.8%	0.1%

Source: CEIC

The property market in Hebei Province

Hebei Province is located in the northwestern region of China. It has an area of approximately 72,500 sq.km. In 2015, Hebei had a population of approximately 74.3 million. The table below sets out selected economic statistics of Hebei Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Nominal GDP (RMB in billions) . . .	2,039.4	2,451.6	2,657.5	2,844.3	2,942.1	2,980.6	3,182.8	7.7%	4.6%
Real GDP growth rate (%)	12.2	11.3	9.6	8.2	6.5	6.8	N/A	N/A	N/A
Per capita GDP (RMB)	28,668.0	33,969.0	36,584.0	38,909.0	39,984.0	40,255.0	N/A	N/A	N/A
Per capita disposable income of urban households	16,263.4	18,292.2	20,543.4	22,226.7	24,141.3	26,152.2	28,249.09.6	9.6%	8.3%

Source: CEIC, Wind

According to the CEIC, the average price per sq.m. of commodity properties in Hebei Province in 2016 was approximately RMB6,437.7, representing a CAGR of 10.5% since 2010. The table below sets out selected data on the property market in Hebei Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Total GFA completed (sq.m. in millions)	36.1	51.8	48.9	44.4	40.4	40.4	42.9	3%	-3.2%
GFA of residential properties completed (sq.m. in millions)	31.3	42.7	39.8	35.2	31.9	32.3	33.5	1.1%	-4.2%
Total GFA sold (sq.m. in millions)	46.6	58.9	51.4	56.8	57.1	58.5	66.8	6.2%	6.8%
% of total GFA sold in the PRC	4.5%	5.4%	4.6%	4.3%	4.7%	4.6%	4.2%	-1.1%	-2.3%
GFA of residential properties sold (sq.m. in millions)	43.3	52.9	46.2	50.2	50.2	51.6	59.0	5.3%	6.3%
Total sales revenue (RMB in billions)	165.0	234.5	230.4	278.0	292.8	337.2	430.2	17.3%	16.9%
Sales revenue from residential properties (RMB in billions)	148.9	199.4	191.5	232.9	250.2	285.4	371.1	16.4%	18.0%
Average price of commodity properties (RMB per sq.m.)	3,539.0	3,982.8	4,478.0	4,897.3	5,131.0	5,758.8	6,437.7	10.5%	9.5%
Average price of residential properties (RMB per sq.m.)	3,442.0	3,766.8	4,142.0	4,639.6	4,988.0	5,529.6	6,289.9	10.6%	11.0%

Source: CEIC

The property market in Henan Province

Henan Province is located in the central region of China. It has an area of approximately 64,000 sq.km. In 2015, Henan had a population of approximately 94.8 million. The table below sets out selected economic statistics of Henan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Nominal GDP (RMB in billions)	2,309.2	2,693.1	2,959.9	3,219.1	3,493.8	3,701.0	4,016.0	9.7%	7.9%
Real GDP growth rate (%)	12.5	11.9	10.1	9.0	8.9	8.3	N/A	N/A	N/A
Per capita GDP (RMB)	24,446.1	28,661.0	31,499.0	34,211.5	37,071.7	39,131.0	N/A	N/A	N/A
Per capita disposable income of urban households	15,930.3	18,194.8	20,442.6	21,740.7	23,672.1	25,575.6	27,233.0	9.4%	7.43%

Source: CEIC, Wind

According to the CEIC, the average price per sq.m. of commodity properties in Henan Province in 2016 was approximately RMB4,964.4, representing a CAGR of 8.5% since 2010. The table below sets out selected data on the property market in Henan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Total GFA completed (sq.m. in millions) . . .	44.3	55.3	58.7	59.7	73.2	53.9	63.0	6.0%	1.8%
GFA of residential properties completed (sq.m. in millions) . . .	38.5	48.1	48.9	49.2	57.7	42.4	50.2	4.5%	0.7%
Total GFA sold (sq.m. in millions)	54.5	62.8	59.7	73.1	78.8	85.6	113.1	12.9%	17.3%
% of total GFA sold in the PRC	5.2%	5.7%	5.4%	5.6%	6.5%	6.7%	7.2%	5.6%	7.5%
GFA of residential properties sold (sq.m. in millions)	50.9	57.3	54.6	65.6	70.1	76.5	101.4	12.2%	16.7%
Total sales revenue (RMB in billions)	165.9	219.7	228.7	307.4	334.1	394.6	561.3	22.5%	25.2%
Sales revenue from residential properties (RMB in billions)	145.5	178.8	191.6	251.6	273.9	330.0	483.9	22.2%	26.1%
Average price of commodity properties (RMB per sq.m.)	3,042.4	3,500.8	3,831.2	4,205.3	4,366.0	4,611.3	4,964.4	8.5%	6.7%
Average price of residential properties (RMB per sq.m.)	2,856.3	3,123.2	3,511.3	3,834.9	3,909.0	4,316.5	4,773.7	8.9%	7.98%

Source: CEIC

The property market in Jiangxi Province

Jiangxi Province is located in the southeastern region of China. It has an area of approximately 64,400 sq.km. In 2015, Jiangxi had a population of approximately 45.7 million. The table below sets out selected economic statistics of Jiangxi Hainan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Nominal GDP (RMB in billions)	945.1	1,170.3	1,294.9	1,441.0	1,571.5	1,672.4	1,836.4	11.7%	9.1%
Real GDP growth rate (%)	14.0	12.5	11.0	10.1	9.7	9.1	N/A	N/A	N/A
Per capita GDP (RMB)	21,253.0	26,150.0	28,800.0	31,930.0	34,674.0	36,724.0	N/A	N/A	N/A
Per capita disposable income of urban households . . .	15,481.1	17,494.9	19,860.4	22,119.7	24,309.2	26,500.1	28,673.0	10.8%	9.6%

Source: CEIC, Wind

According to the CEIC, the average price per sq.m. of commodity properties in Jiangxi Province in 2016 was approximately RMB5,708.6, representing a CAGR of 10.5% since 2010. The table below sets out selected data on the property market in Jiangxi Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Total GFA completed (sq.m. in millions) . . .	18.2	19.1	17.5	17.9	18.7	19.1	16.4	-1.7%	1.6%
GFA of residential properties completed (sq.m. in millions) . . .	15.5	16.2	14.4	14.3	15.1	15.3	13.2	-2.6%	-2.2%
Total GFA sold (sq.m. in millions)	24.7	24.2	24.0	31.7	30.7	34.8	46.9	11.3%	18.2%
% of total GFA sold in the PRC	2.4%	2.2%	2.2%	2.4%	2.5%	2.7%	3.0%	3.8%	8.1%
GFA of residential properties sold (sq.m. in millions)	22.7	21.6	21.3	28.5	27.8	31.5	41.4	10.5%	18.1%
Total sales revenue (RMB in billions)	77.6	100.2	113.7	164.8	162.2	186.4	267.8	22.9%	23.9%
Sales revenue from residential properties (RMB in billions)	67.0	82.4	93.1	139.6	137.9	160.7	220.7	21.0%	24.1%
Average price of commodity properties (RMB per sq.m.)	3,143.7	4,147.7	4,744.7	5,203.2	5,288.0	5,358.1	5,708.6	10.5%	4.7%
Average price of residential properties (RMB per sq.m.)	2,958.6	3,822.0	4,381.2	4,905.3	4,971.0	5,107.3	5,330.6	14.6%	5.0%

Source: CEIC

The property market in Sichuan Province

Sichuan Province is located in the southwestern region of China. It has an area of approximately 187,000 sq.km. In 2015, Hainan had a population of approximately 82.0 million. The table below sets out selected economic statistics of Sichuan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Nominal GDP (RMB in billions)	1,718.5	2,102.7	2,387.3	2,639.2	2,853.7	3,010.3	3,268	11.3%	8.2%
Real GDP growth rate (%)	15.1	15.0	12.6	10.0	8.5	7.9	N/A	N/A	N/A
Per capita GDP (RMB)	21,182.0	26,133.0	29,608.0	32,617.0	35,128.0	36,836.0	N/A	N/A	N/A
Per capita disposable income of urban households . . .	15,461.2	17,899.1	20,307.0	22,227.5	24,234.4	26,205.3	28,335.0	10.6%	8.7%

Source : CEIC, Wind

According to the CEIC, the average price per sq.m. of commodity properties in Sichuan Province in 2016 was approximately RMB5,762.0, representing a CAGR of 5.7% since 2010. The table below sets out selected data on the property market in Sichuan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Total GFA completed (sq.m. in millions)	39.7	42.3	58.7	51.1	53.3	45.5	70.5	10.0%	4.7%
GFA of residential properties completed (sq.m. in millions)	33.9	34.6	47.1	40.3	38.7	31.5	46.8	5.5%	-0.2%
Total GFA sold (sq.m. in millions)	64.0	65.4	64.6	73.1	71.4	76.7	93.0	6.4%	9.5%
% of total GFA sold in the PRC	6.1%	6.0%	5.8%	5.6%	5.9%	6.0%	5.9%	-0.6%	0.4%
GFA of residential properties sold (sq.m. in millions)	58.5	58.3	56.8	65.1	61.8	64.9	78.8	5.1%	8.5%
Total sales revenue (RMB in billions)	264.7	321.8	351.8	402.0	399.7	419.9	535.9	12.5%	11.1%
Sales revenue from residential properties (RMB in billions)	233.1	267.7	281.6	330.9	314.5	326.9	429.6	10.7%	11.1%
Average price of commodity properties (RMB per sq.m.)	4,138.5	4,917.9	5,448.8	5,497.6	5,597.0	5,474.8	5,762.0	5.7%	1.4%
Average price of residential properties (RMB per sq.m.)	3,984.8	4,595.1	4,959.2	5,086.0	5,092.0	5,033.6	5,449.3	5.4%	2.4%

Source: CEIC

The property market in Yunnan Province

Yunnan Province is located in the southwestern region of China. It has an area of approximately 152,000 sq.km. In 2015, Yunnan had a population of approximately 47.4 million. The table below sets out selected economic statistics of Yunnan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Nominal GDP (RMB in billions)	722.4	889.3	1,030.9	1,183.2	1,281.5	1,371.8	1,487.0	12.8%	9.6%
Real GDP growth rate (%)	12.3	13.7	13.0	12.1	8.1	8.7	N/A	N/A	N/A
Per capita GDP (RMB)	15,752.0	19,265.0	22,195.0	25,322.0	27,263.6	29,015.0	N/A	N/A	N/A
Per capita disposable income of urban households . . .	16,064.5	18,575.6	21,074.5	22,460.0	24,299.0	26,373.2	28,611.0	10.1%	7.9%

Source: CEIC, Wind

According to the CEIC, the average price per sq.m. of commodity properties in Yunnan Province in 2016 was approximately RMB5,269.0, representing a CAGR of 8.9% since 2010. The table below sets out selected data on the property market in Yunnan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Total GFA completed (sq.m. in millions)	15.4	15.7	18.5	20.2	17.9	25.5	21.2	5.5%	3.5%
GFA of residential properties completed (sq.m. in millions)	12.6	12.6	14.9	15.8	12.6	18.9	14.3	2.1%	-1.0%
Total GFA sold (sq.m. in millions)	29.6	32.2	32.4	33.1	31.9	31.5	36.4	3.5%	3.0%
% of total GFA sold in the PRC	2.8%	2.9%	2.9%	2.5%	2.6%	2.5%	2.3%	-3.2%	-5.6%
GFA of residential properties sold (sq.m. in millions)	26.6	26.6	27.9	28.6	26.2	25.8	29.3	1.6%	1.2%
Total sales revenue (RMB in billions)	93.5	117.2	136.3	148.7	159.6	166.7	191.8	12.7%	8.9%
Sales revenue from residential properties (RMB in billions)	76.9	95.9	107.7	119.3	116.5	123.7	141.1	10.7%	7.0%
Average price of commodity properties (RMB per sq.m.)	3,158.0	3,635.4	4,209.2	4,494.1	4,998.0	5,299.8	5,269.0	8.9%	5.8%
Average price of residential properties (RMB per sq.m.)	2,893.3	3,388.4	3,861.0	4,176.3	4,451.0	4,799.8	4,812.0	8.9%	5.7%

Source: CEIC

The tourism industry in the PRC

China's tourism industry and hotel industry have benefited from the strong economic growth in China which has resulted in higher disposable incomes of urban households, reflecting a more affluent domestic customer base. In addition, the increased number of international travelers also contributed to the growth of China's tourism and hotel sectors. In 2015, there were 4,133.8 million visits, of which there were 4,000.0 million visits from domestic travelers and 133.8 million visits from Hong Kong, Macau, Taiwan and other international travelers, representing a CAGR, of 13.7% and 0.0%, respectively, since 2010. Out of the 4,133.8 million visits, approximately 107.8 of such visits were from travelers from Hong Kong, Macau and Taiwan. The table below sets out the number of domestic visits and international visits in China from 2010 to 2015.

	2010	2011	2012	2013	2014	2015	5Y CAGR	3Y CAGR
Total visits (millions)	2,236.8	2,776.4	3,089.4	3,391.1	3,739.5	4,133.8	13.1%	10.2%
Total domestic visits (millions)	2,103.0	2,641.0	2,957.0	3,262.0	3,611.0	4,000.0	13.7%	10.6%
Total international visits (millions)	133.8	135.4	132.4	129.1	128.5	133.8	0.0%	0.4%
From Hong Kong and Macau (millions)	102.5	103.0	99.9	97.6	96.8	102.3	0.0%	0.8%
From Taiwan (millions)	5.1	5.3	5.3	5.2	5.4	5.5	1.4%	1.0%
Foreigners (millions)	26.1	27.1	27.2	26.3	26.4	26.0	0.1%	1.5%
Total increase / (decrease)	10.3%	24.1%	11.3%	9.8%	10.3%	10.5%	0.5%	2.2%

Source: Wind

Tourism industry in Guangdong Province

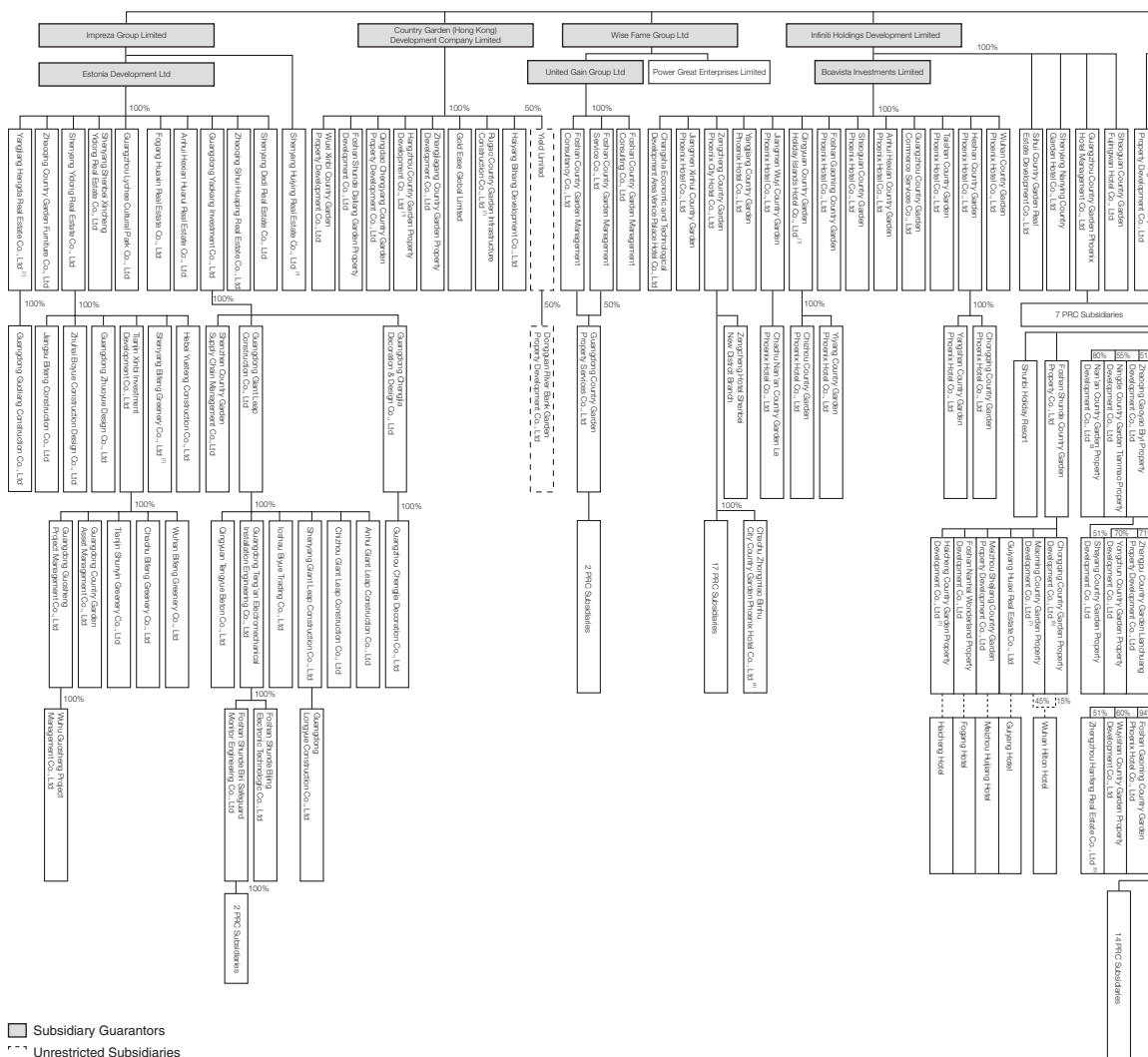
In 2016, Guangdong Province received approximately 397.8 million visits, of which 362.5 million visits were from domestic travelers, and 35.3 million visits were from international travelers. The number of total visits has grown at a CAGR of 10.59% since 2010. Of the international visits, the majority were from Hong Kong and Macau, which accounted for 35.3 million of the inbound visits in 2016. The table below sets out the number of inbound visits to Guangdong Province from 2010 to 2016.

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Total visits									
(millions)	217.4	249.8	273.7	301.5	326.5	361.9	397.8	10.6%	9.8%
Total domestic visits									
(millions)	186.0	216.4	238.4	267.5	292.9	327.5	362.5	11.8%	11.1%
Total international									
visits (millions)	31.5	33.6	35.2	34.0	33.6	34.4	35.3	1.9%	0.1%
From Hong Kong									
and Macau									
(millions)	21.0	22.9	24.3	23.5	23.0	23.8	21.3	0.2%	-3.2%
From Taiwan									
(millions)	3.2	3.2	3.1	2.9	2.8	2.8	2.8	-2.2%	-2.5%
Foreigners									
(millions)	7.3	7.5	7.8	7.6	7.8	7.8	8.3	2.2%	0.2%
Total increase /									
(decrease)	19.5%	14.9%	9.6%	10.2%	8.3%	10.9%	9.9%	-10.7%	0.8%

Source: Wind

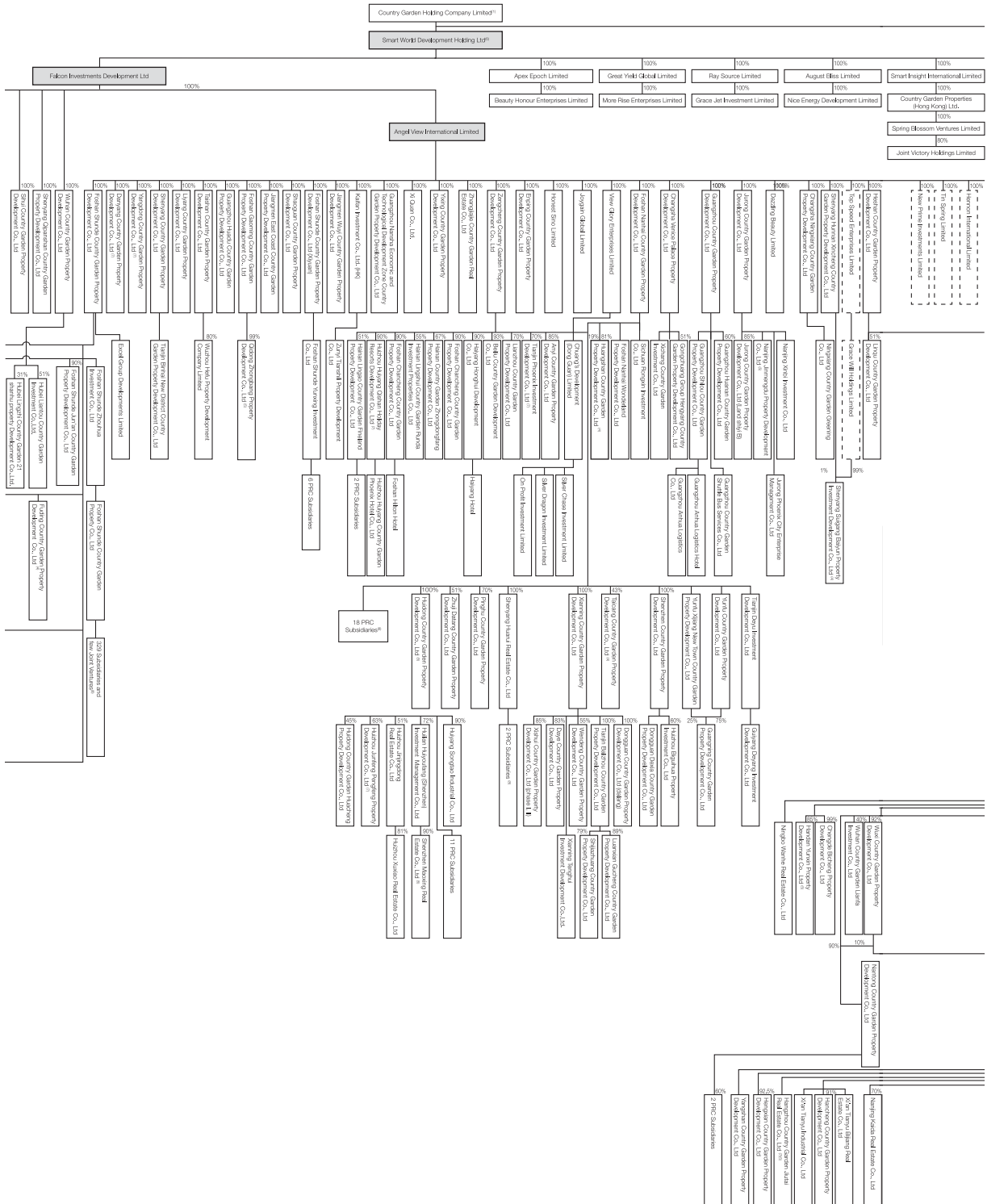
Corporate structure

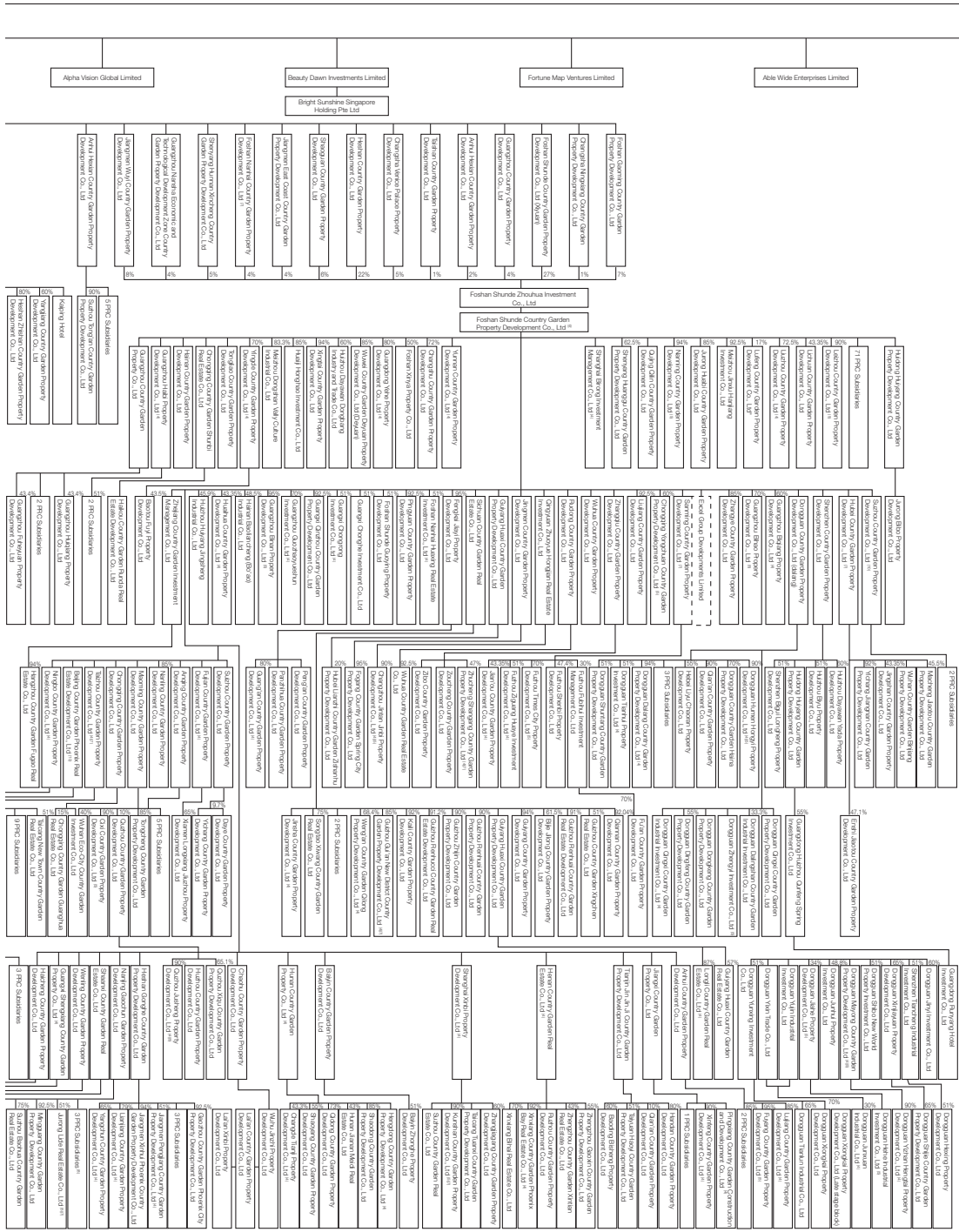
The following chart shows our corporate structure as of June 30, 2017.



Notes:

- (1) Our controlling shareholder is Yang Huiyan, who held 57.93% of our shares as of the date of this offering memorandum. See "Management—Directors' interests" and "Principal shareholders."
- (2) Formerly known as "Country Garden Hotel Management Sdn Bhd".
- (3) Formerly known as "Wealthy Signet Sdn Bhd".
- (4) The registered capital of the company has not been fully paid.
- (5) The company's shares have been pledged pursuant to trust financing arrangements and loan agreements.
- (6) Subsequent to December 31, 2016, we have, in our ordinary course of business, incorporated or acquired certain subsidiaries in Australia, the British Virgin Islands, Hong Kong, Indonesia, Malaysia, Singapore, Cayman Islands and the PRC and may from time to time incorporate or acquire new subsidiaries, in our ordinary course of business, subsequent to the date of this offering memorandum.
- (7) The company and Baicheng Country Garden Property Development Co, Zhangye Country Garden Property Development Co failed filing its annual report in time as required by relevant PRC law.
- (8) Fengshun Country Garden Property Development Co., Ltd, Jianguan Gaixin Country Garden Real Estate Co., Ltd, and Baicheng Country Garden Property Development Co., Ltd failed filing its annual report in time as required by relevant PRC law. The shares of each of Lanzhou Country Garden Property Development Co., Ltd., Yancheng Country Garden Property Development Co., Ltd, Guangzhou Xinbi Property Development Co., Ltd, Kaiping Country Garden Property Development Co., Ltd, Qingyuan Country Garden Xinya Property Development Co., Ltd, Jurong Baobi Country Garden Property Development Co., Ltd, Hunan Dongchenzhidi Property Development Co., Ltd, Jianguan Jingyu Property Development Co., Ltd Zhoukou Country Garden Fangyun Property Development Co., Ltd and Linquan Country Garden Property Development Co., Ltd have been pledged to relevant trust companies or banks.
- (9) The company is cited on the Supreme People's Court's website for failure to perform certain court obligations.
- (10) The equity interest held by the company in its subsidiary is currently frozen by court due to certain dispute with former shareholders of such subsidiary.
- (11) The equity interest held by the JV partner in Zhoukou Country Garden Fangyun Property Development Co., Ltd, Xiangyang Country Garden Property Development Co., Ltd, Huizhou Huiyang Qishan Holiday Resorts Development Co., Ltd, and Tianjin Hengze Property Investment Co., Ltd is currently frozen by court.





Unrestricted Subsidiaries

Business

Overview

We are one of the leading integrated property developers in the PRC, with substantially all of our assets and operations based in the PRC. Since the commencement of our property development activities in 1997, we have benefited from, and we expect to continue to benefit from, the growth in the property sector associated with the economic development in the PRC, particularly in Guangdong Province, which is one of the most affluent provinces and fastest growing economies in the PRC. Our primary business has been the development of large-scale residential community projects and the sale of various types of properties, including townhouses, apartment buildings, parking spaces and retail shops. The majority of our products are targeted towards end-user customers. As an integrated property developer, our lines of business also include construction, installation, fitting and decoration as well as property management. Our residential home projects are generally located in the suburban areas of first-tier cities and in the newly urbanized town centers of second- and third-tier cities. In December 2011 and October 2013, we expanded our operations into Malaysia and Australia, respectively. During the first quarter of 2017, we started construction of our first project in Indonesia.

As of June 30, 2017, we had 965 projects at various stages of development. Of these projects, 314 were located in Guangdong Province: 41 in Guangzhou City, 41 in Dongguan City, 34 in Foshan City, 25 in Jiangmen City, 40 in Huizhou City, 16 in Zhaoqing City, 14 in Meizhou City, 17 in Zhongshan City and the remaining in various other cities. We also had 651 projects located outside Guangdong Province, spanning 21 provinces, three autonomous regions, four municipalities in the PRC as well as one projects in the State of Selangor, Malaysia, three projects in the State of Johor, Malaysia, one project in Bali, Indonesia and one project in Sydney, Australia.

As of June 30, 2017, our projects had an aggregate completed GFA of approximately 106,851,654 sq.m. We had an aggregate saleable GFA under development of approximately 88,302,841 sq.m. and an aggregate saleable GFA of approximately 85,597,334 sq.m. relating to properties held for future development as of the same date. We have obtained land use rights certificates, development and operation rights or land title in respect of the completed GFA, GFA under development and GFA held for future development. In addition, as of June 30, 2017, we had entered into land grant contracts or sale and purchase agreements in respect of land located in 93 cities in the PRC with an aggregate site area of approximately 18,418,270 sq.m. and an aggregate expected GFA of approximately 35,358,025 sq.m. for future development.

We also develop hotels to complement our residential properties. Most of these hotels are located in our large-scale residential community projects, which we believe have added value to such residential projects and enhanced our brand recognition. As of June 30, 2017, we had developed and were operating eight five-star hotels and two four-star hotels, 39 hotels which were developed in accordance with the five-star rating standard set forth in the "Star-Rating Standard for Tourist Hotels" (旅遊飯店星級的劃分與評定) issued by the PRC National Tourism Administration and four hotels which were developed in accordance with the four-star standard of the "Star-Rating Standard for Tourist Hotels." In addition, we had seven hotels under construction in accordance with the five-star rating standard and two hotel under construction in accordance with the four-star rating standard set forth in the "Star-Rating Standard for Tourist Hotels."

For the years ended December 31, 2014, 2015, 2016 and the six months ended June 30, 2017, our total revenue was RMB84,548.8 million, RMB113,222.6 million, RMB153,087.0 million (US\$22,581.5 million) and RMB77,737.8 million (US\$11,466.9 million), respectively, and our EBITDA was RMB17,174.9 million, RMB15,860.6 million, RMB21,949.2 million (US\$3,237.7 million) and RMB12,836.2 million (US\$1,893.4 million), respectively.

Our shares have been listed on the Hong Kong Stock Exchange since April 20, 2007 under stock code 2007.

Competitive strengths

We are one of the largest property developers in the PRC with one of the largest, geographically diversified, and low-cost land bank

As of June 30, 2017, we had an aggregate GFA under development and for future development in China of approximately 85,107,133 sq.m. for which we have obtained all the relevant land use rights certificates or development and operation rights or land title, spanning 21 provinces, three autonomous regions and four provincial level municipalities. In addition, as of June 30, 2017, we had entered into land grant contracts in respect of land in China with an aggregate site area of approximately 18,418,270 sq.m. for which we have applied for or were in the process of applying for land use rights certificates in 93 cities in China, with an aggregate expected GFA of approximately 35,358,025 sq.m. for future development. We expect that these new acquisitions will further increase the value and size of our land bank when we obtain the land use rights certificates.

We adopt a disciplined approach to land acquisition and development. We undertake market research and analysis as well as budget and financing planning prior to a land acquisition, which we believe enables us to exercise effective cost control. In addition, we continue to seek opportunities to acquire and develop land in close proximity to our existing mature projects. We believe such in-fill developments will lower potential execution risks given our experience with the local markets, service providers and target customers. For the three years ended December 31, 2014, 2015, 2016 and the six months ended June 30, 2017, we estimate that our average unit land cost based on GFA was approximately 10% to 20% of our average unit selling price. We believe our low-cost land bank not only supports our future profitability but also gives us greater flexibility to diversify our product portfolio, to cater to a broader customer base, and to respond more effectively to changing market conditions.

We have an established business model which we believe has been successfully replicated in the markets where we operate

We focus on developing large-scale residential communities in the suburban areas of first-tier cities as well as the newly urbanized town centers of second- and third-tier cities in the PRC where we believe have high-growth potential. We proactively seek to enhance the value of our properties by creating a better living environment through the provision of comprehensive community facilities and premium services in our master-planned communities. Our business model leverages on China's economic growth, increasing urbanization and rising standards of living. We believe that we have aligned our business development objectives with those of local governments, as our large-scale township developments raise the living standards of the local population and help improve the business environment of the local economies.

Over the last decade, we have successfully replicated our business model in 21 cities in Guangdong Province, with a total of 314 projects having an aggregate expected GFA of 120,230,498 sq.m. as of June 30, 2017. Since 2006, we have also implemented our business model outside Guangdong Province, with a total of 645 projects having an aggregate expected GFA of 193,246,688 sq.m. outside Guangdong Province in the PRC, and with four projects in Malaysia, one project in Indonesia and one project in Australia having a total expected GFA of 2,995,755 sq.m. as of June 30, 2017. We believe the success of Country Garden—Galaxy Palace, Country Garden—Phoenix City (Jurong), Country Garden—Ten Miles Golden Beach and Country Garden—Golden Beach, in particular, demonstrates our ability to replicate our business model and capitalize on our strong brand name in other provinces in China.

Our standardized operations enable us to provide high-quality and competitively priced products to our customers and to achieve quick asset turnover and attractive margins

We are one of the largest PRC property developers focusing on developing large-scale, multi-phase suburban residential communities in the PRC. We generally standardize principal features of our operations, such as land acquisition, project planning and design, procurement of raw materials, selection of contractors, sales and marketing and property management, which we believe enables us to:

- achieve economies of scale and increase operating efficiency through pooling internal resources, thereby helping to further improve our profit margins;
- ensure consistent product quality;
- strengthen our bargaining power with suppliers and contractors to obtain good quality supplies and services at relatively low costs, which help increase our pricing flexibility;
- smoothen project execution to achieve quick asset turnover; and
- respond rapidly to changes in market environment.

We believe that a combination of our strong brand recognition, high quality product mix and competitive pricing model has enabled us to pre-sell a substantial portion of the properties in our projects.

We maintain a robust liquidity position and have a strong credit profile

We actively manage our liquidity position by taking into account our development plans, capital needs and available cash and financing options. As of December 31, 2014, 2015, 2016 and June 30, 2017, our cash and cash equivalents amounted to RMB18.8 billion, RMB36.2 billion, RMB84.6 billion (US\$12.5 billion) and RMB110.1 billion (US\$16.2 billion), respectively. We believe our quick asset turnover model has enabled our projects to generate positive cash flow in a relatively short period after commencement of development to support further developments.

We believe we have developed a strong credit profile over the years relative to our peers and have become a preferred customer of a number of major commercial banks in the PRC. We also have access to the international capital markets through debt, equity and equity-linked offerings. While we have a strong credit profile, we closely monitor our leverage ratio with a view to maintaining a healthy capital structure.

We have a strong brand in Guangdong Province with increasing recognition nationwide

We believe our brand name “Country Garden” (碧桂園), as well as our guiding motto, “Country Garden—Giving you a five-star home” (碧桂園 — 給您一個五星級的家), have strong market recognition in Guangdong Province. We believe this market recognition is a result of our high quality products and services as we aim to provide our customers with not only pleasant and comfortable homes in a clean and safe environment, but also higher living standards supported by comprehensive community facilities and services such as restaurants and catering, shopping, sports and leisure, transportation, education and domestic assistance. This market recognition has helped us to achieve our leading position in the property market in Guangdong Province and to expand our operations into other PRC provinces. Since 2006, we have gradually expanded our operations into 21 provinces, three autonomous regions and four provincial level municipalities outside Guangdong in the PRC, and we believe we will receive increasing brand recognition in those markets. In 2006, we were one of the first two brands that were recognized by SAIC as “China’s Well-Known Trademarks” in the property sector.

We aim to strengthen the confidence and trust of our customers in our products and services, and to secure repeat customers and referrals for us, through an emphasis on quality property management and post-sales services. We believe that our strong financial performance demonstrates the trust that we have built with our customers and the recognition of our brand name and the quality of our products.

We have a highly effective management structure, experienced management team and professional workforce

We believe we have a highly effective management structure. Our headquarters in Guangdong Province vertically manages the principal functions of our operations, including land acquisitions, project design, human resources, financing planning and raw material procurement. As we expand into markets outside Guangdong, we have delegated certain functions such as project management and marketing to our project companies to facilitate smooth project execution, thereby enabling them to cater to local characteristics, shorten development cycle and quickly respond to changes in local market conditions.

Our senior management team has extensive industry knowledge, management skills and operating experience. Most of our management have been with us since our inception. In particular, Yeung Kwok Keung, our co-founder, has remained with our Company and has focused on our property development business since 1997. We believe management’s interest is aligned with our interest given their substantial shareholdings in our Company.

Business strategies

Continue to focus on core property development business with a well balanced mix of property developments within and outside Guangdong Province

We intend to continue to grow our core property development business. We will actively look for suitable opportunities to develop large-scale residential communities in suburban areas of first-tier cities in the PRC as well as attractive opportunities in the newly urbanized town centers of second- and third-tier cities in the PRC where we believe have promising economic growth potential. We believe this strategy is not only in line with China’s urbanization trend of expanding existing urban boundaries of major cities and creating new urban clusters around

second- and third-tier cities, but also complements our successful formula of controlling costs through our low-cost land bank, large-scale production and quick asset turnover. We will also continue to selectively look into opportunities outside of China as opportunities arise.

Since 2006, we have gradually expanded our operations outside Guangdong Province into 20 other provinces, three autonomous regions and four provincial level municipalities in China, as well as into Malaysia, Indonesia and Australia. We believe our geographical diversification efforts have provided us with a well balanced mix of property developments within and outside Guangdong Province in the PRC. Guangdong Province, which is one of the most affluent provinces and fastest growing economies in China, will remain our principal market. Guangdong Province recorded a GDP per capita of approximately RMB57,503 in 2016, which is higher than the national average in 2016. We intend to continue to leverage our local knowledge and market reputation in Guangdong Province to further grow our business there. At the same time, we will continue to develop our existing projects in markets outside Guangdong Province, which have seen increased average selling prices over the years. Where suitable opportunities arise, we will also acquire more land and enter into new markets with high growth potential, within or outside the PRC. For example, we have expanded into and have four projects in Malaysia, one project in Indonesia and one project in Australia as of June 30, 2017.

We also intend to continue to develop high quality hotels in our large residential communities, as we believe they enhance the value and attractiveness of our residential community projects. We believe this strategy also improves our competitiveness during the land tender process, as high quality hotels are seen by local governments of second- and third-tier cities in the PRC as an important feature to attract visitors and improve the commercial appeal of the environment. We may consider engaging, and are currently in discussions with, certain international management firms to manage some of our hotels to further enhance the value of our hotel properties.

Continue to focus on developing properties having an attractive value-to-price ratio

We intend to continue to focus on our strategy of providing our customers with high-value properties at competitive prices. We will continue to leverage on our expertise and industry experience to develop large-scale integrated residential communities featuring value-added facilities and services that cater to a broad end user driven customer base. Our facilities include clubhouses, hotels, supermarkets, schools, clinics, sports and recreational facilities as well as food and beverage outlets, and our services include childcare, domestic assistance, property management, security and shuttle bus services for residents both within the projects as well as from projects to city centers. We endeavor to develop and refine our product design to accommodate changing market conditions and consumer preference. We will also encourage creativity and innovation in our product design through collaboration between our in-house experts and third-party professionals.

Maintain prudent financial management policies

We will continue to closely monitor our capital and cash positions, gauge our development scale and time our land acquisition and development schedule accordingly. We have budget and financing planning and cash management at the project level as well as the group level. We will continue to carefully manage our development cost for each project during the course of its development, with an emphasis on cost reduction and cost efficiency. We will actively manage our sales and pre-sales to ensure adequate cash flow for our ongoing capital requirements. We

will also remain disciplined in our capital commitments and seek to maintain a balanced capital structure.

Further strengthen our leading position and brand name recognition nationwide

We plan to further strengthen our leading position and our “Country Garden” brand name recognition in Guangdong Province and across China. To distinguish ourselves from our competitors, we plan to continue to promote the “five-star home” motto and apply this to the services offered to our existing and prospective customers to improve the living environment of our customers. We will continue to encourage our existing customers to refer potential purchasers to us through incentive schemes such as waiving property management fees.

Enhance effective internal management and controls

We intend to continue to adopt the best practices and standards in the industry for corporate governance and internal controls, drawing on senior management’s expertise and experience to facilitate our operations and expansion. We intend to further streamline our internal management functions by clearly defining the responsibilities of each operating unit to ensure orderly and efficient operations and rapid responses to changes in market conditions.

We will continue to incentivize our management and employees and seek to attract and retain talent through a competitive remuneration package. We will continue to provide our employees with a variety of training and development programs to assist in their career development. We will also actively recruit new talent to optimize our human resources and enhance the productivity and competitiveness of our workforce.

Recent Developments

Issuance of the 2022 Notes and the November 2018 Notes

On July 25, 2017, we issued the 2022 Notes in an aggregate principal amount of US\$600 million due 2022. The 2022 Notes bear an interest rate of 4.75%. On November 22, 2017, we issued the November 2018 Notes in an aggregate principal amount of US\$500 million due 2018. The November 2018 Notes bear an interest rate of 3.975%. See “Description of other material indebtedness—2022 Notes” and “Description of other material indebtedness—November 2018 Notes.”

Constituent Stock in the Hang Seng Index

Our Group has been included as a constituent stock in the Hang Seng Index. This has become effective from December 4, 2017.

Previously, the Group has become a constituent stock of MSCI Global Standard Indices on September 1, 2007, Hang Seng Composite Index and Hang Seng Mainland 100 on September 10, 2007, FTSE China 50 Index on September 14, 2016, and Hang Seng China (Hong Kong-listed) 25 Index on June 12, 2017.

Contracted Sales

For the twelve months ended December 31, 2017, our Group, together with our joint ventures and associates, achieved contracted sales of approximately RMB550.80 billion (US\$81.2 billion) with contracted sales GFA of approximately 58.4 million sq.m..⁽¹⁾

Land Acquisitions

For the nine months ended September 30, 2017, we have conducted land acquisitions in China for a total GFA of approximately 83.4 million sq.m. and an estimated GFA attributable to the Company (excluding the minority interest) of approximately 62.0 million sq.m. The total land premium for those land acquisitions amounted to approximately RMB205.8 billion (US\$29.6 million) with an average land price of RMB3,312 per sq.m. (US\$477 per sq.m.).

Overview of our property developments

We have obtained all the relevant land use rights certificates for land of our completed properties and obtained all or portion of land use rights certificates for land of our properties under development. Further, we have property interests derived from land use rights transfer agreements, compensation agreements or land grant contracts to develop residential properties in various cities in Guangdong Province, Fujian Province, Jiangsu Province, Hubei Province, Anhui Province, Shandong Province, Sichuan Province, Zhejiang Province, Hunan Province, Chongqing Municipality, Jiangxi Province, Guangxi Zhuang Autonomous Region, Hainan Province, Liaoning Province, Henan Province, Guizhou Province, Tianjin Municipality, Shanxi Province, Shaanxi Province, Hebei Province, Zhejiang Province and Yunnan Province with an aggregate site area of approximately 18,418,270 sq.m. As of June 30, 2017, we had not yet obtained land use rights certificates to these parcels of land and these land parcels are vacant land for future development purposes.

In the PRC, the relevant properties in a property development project are treated as completed when the local government authorities issue a Construction of Properties and Municipal Infrastructure Completed Construction Works Certified Report (房屋建築工程和市政基礎設施工程竣工驗收備案表). The relevant properties in a property development project in the PRC are treated as having received that certification when we have provided the relevant government authorities with, among other things, the following documents and when an official seal has been affixed to the inspection-for-completion form:

- Relevant approvals and acceptance documents from the bureau of planning, public security and fire services and environmental protection;
- Completed Construction Works Certified Report (建設工程竣工驗收報告);
- Construction Permit (建設工程施工許可證);
- Project Quality Assessment Report (工程質量評估報告);

Note:

(1) "Contracted sales" refer to purchase price of formal purchase contracts we entered into with purchasers of our properties. We compile contracted sales information (including contracted sales amounts, ASP and GFA) through our internal records, and such information has not been audited or reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong. As these sales and purchases contracts are subject to termination or variation under certain circumstances pursuant to their contractual terms, or subject to default by the relevant purchasers, they are not a guarantee of current or future contracted sales. Contracted sales information should in no event be treated as an indication of our revenue or profitability. Our subsequent revenue recognized from such contracted sales may be materially different from such contracted sales. Accordingly, contracted sales information contained in this offering memorandum should not be unduly relied upon as a measure or indication of our current or future operating performance.

- Quality Inspection Report on Investigation and Design Documentation (勘察、設計文件質量檢查報告); and
- Inspection Report on the Quality of Construction Projects (建設工程質量監督報告).

A property in the PRC is treated as “under development” immediately following the issuance of the Construction Permit until the time of issuance of the Certification of Completion.

Unless otherwise indicated, we have obtained the relevant land use rights certificates, development and operation rights or land title for our properties referred to in this offering memorandum. As our projects typically comprise multi-phase developments that are developed on a rolling basis, a single project may include a number of phases that are variously completed, still under development or held for future development.

The site area information for an entire project is based on the relevant land use rights certificates, development and operation rights or land title. The aggregate GFA of an entire project is calculated by multiplying its site area by:

- the plot ratio specified in other approval documents from the local governments relating to the project;
- the maximum permissible plot ratio as specified in the relevant land grant contracts; or
- such lower plot ratio as we reasonably expect to be able to develop for such project.

The aggregate GFA of a project includes both saleable and non-saleable GFA. Non-saleable GFA refers to certain communal facilities, including transformer rooms and guard houses.

A property is treated as “sold” when the purchase contract with a customer has been executed and the property has been delivered to the customer. Delivery is deemed to take place on the date stated on the property delivery document. A property is treated as “pre-sold” when the purchase contract has been executed but the property has not yet been delivered to the customer.

The project names used in this offering memorandum are the names that we have used, or intend to use, to market our properties.

The following table sets forth the information of our top 100 projects with the highest contracted sales in the PRC and all overseas projects as of June 30, 2017:

Serial number	Project	Completed property developments ⁽¹⁾										Properties under development ⁽²⁾					Schedulable GFA for future development with land grant contracts
		City (District)	Aggregate GFA for entire project	Interest Company	Interest %	Total completed saleable GFA	Total saleable GFA sold and delivered	Total saleable GFA pending delivery	Completion date	Total saleable GFA under development permit	Total saleable GFA with sale permit	Total GFA	Estimated commencement date	Actual/pre-sale date	Estimated completion date	Saleable GFA for future development	
1	Country Garden—Coral Palace (碧桂园·珊瑚宫)	Lingshui (Yingzhou)	1,470,219	Country Garden	49%	512,319	511,725	468	30/Jun/17	957,300	419,058	331,773	7/Nov/14	4th Quarter, 2019	2,140,000	472,990	
2	Asian Games Town (亚运城)	Guangzhou (Panyu)	3,659,761	Country Garden	27%	1,297,042	1,280,104	16,938	30/Jun/17	2,221,719	2,221,719	208,640	11/Jun/14	2nd Quarter, 2019	2,767,033	472,990	
3	Country Garden—Phoenix City (碧桂园·凤凰城)	Zhenjiang (Jurong)	6,946,150	Country Garden	100%	2,534,169	2,449,605	1,479	6/Jun/17	1,171,958	834,071	781,087	10/Jun/14	4th Quarter, 2019	212,304	472,990	
4	Country Garden—Yinzhou Mansion (碧桂园·滨海湾)	Fuyang (Xingzhou)	673,125	Country Garden	65%	888,776	888,776	0	26/Jun/17	460,821	409,781	255,503	30/Sep/16	4th Quarter, 2019	242,157	472,990	
5	Country Garden—Dragon City—Phases One to Three (碧桂园·龙城—第三期)	Huizhou (Huidong)	5,358,173	Country Garden	100%	3,441,583	3,436,232	0	23/Sep/15	794,985	713,712	565,707	23/Mar/17	3rd Quarter, 2019	1,121,605	472,990	
6	Country Garden—Ten Miles Beach—including Xiaojing Bay City (碧桂园·十里银滩(含小径湾海岸城))	Xi'an (Weiyang)	1,461,513	Country Garden	49%	298,867	298,537	0	25/Sep/15	338,167	338,167	325,447	12/Oct/13	2nd Quarter, 2019	824,479	472,990	
7	Country Garden—Grand Garden (碧桂园·凤凰城)	Guangzhou (Zengcheng)	1,021,119	Country Garden	100%	819,552	819,301	133	25/Sep/15	201,567	201,567	166,533	9/Jul/10	4th Quarter, 2018	1,121,605	472,990	
8	Country Garden—Times City (碧桂园·时代城)	Langfang (Sanhe)	225,953	Country Garden	60%	225,953	111,906	0	30/Mar/16	111,906	111,906	111,906	30/Mar/16	1st Quarter, 2019	1,121,605	472,990	
9	Songhu Country Garden (碧桂园·松湖)	Dongguan (Dalingshan)	355,534	Country Garden	100%	355,534	348,432	0	18/Mar/16	287,592	287,592	287,592	18/Mar/16	4th Quarter, 2018	1,121,605	472,990	
10	Country Garden—Century City (碧桂园·世纪城)	Suzhou (Kunshan)	366,687	Country Garden	85%	366,687	286,652	0	2/Aug/16	222,790	222,790	222,790	2/Aug/16	1st Quarter, 2019	1,121,605	472,990	
11	Country Garden—Gul'an One (碧桂园·观澜壹)	Guiyang (Gui'an)	679,329	Country Garden	100%	679,329	679,329	0	14/Jun/16	501,566	501,566	501,566	14/Jun/16	4th Quarter, 2019	1,121,605	472,990	
12	Lanzhou Country Garden (碧桂园·兰州)	Lanzhou (Chengguan)	2,634,699	Country Garden	100%	1,100,891	1,086,619	107	25/May/17	867,934	774,263	692,074	22/Sep/13	3rd Quarter, 2019	665,874	472,990	
13	Country Garden—Park Palace (碧桂园·公园上城)	Huizhou (Dayawan)	1,075,273	Country Garden	54%	612,229	281,155	0	8/Sep/16	237,544	237,544	237,544	8/Sep/16	4th Quarter, 2019	463,044	472,990	
14	Country Garden—Park Royal (碧桂园·皇家花园)	Dongguan (Guancheng)	146,669	Country Garden	100%	146,669	146,669	0	20/Oct/16	122,632	122,632	122,632	20/Oct/16	4th Quarter, 2018	463,044	472,990	
15	Country Garden—Guiyang One (碧桂园·贵阳壹)	Guiyang (Huaxi)	650,863	Country Garden	51%	390,397	346,734	0	14/Oct/16	262,464	262,464	262,464	14/Oct/16	2nd Quarter, 2019	463,044	472,990	
16	Country Garden—Wutong Mansion (碧桂园·梧桐府)	Jiaxing (Tongxiang)	136,087	Country Garden	85%	136,087	123,865	0	3/Mar/17	116,713	116,713	116,713	3/Mar/17	4th Quarter, 2018	463,044	472,990	
17	Country Garden—The Cullinan (碧桂园·柏明顿)	Lülan (Yuan)	458,548	Country Garden	60%	458,548	449,897	0	19/Aug/16	414,537	414,537	414,537	19/Aug/16	4th Quarter, 2018	463,044	472,990	
18	Country Garden—Spring City (碧桂园·大湾)	Lingshui (Yingzhou)	92,417	Country Garden	47%	92,417	92,417	0	10/Dec/16	91,690	91,690	91,690	10/Dec/16	3rd Quarter, 2018	463,044	472,990	
19	Country Garden—Galaxy Palace (碧桂园·星河湾)	Shenyang (Yuhong)	3,080,206	Country Garden	92%	2,371,379	2,325,947	21,166	27/May/17	672,149	645,993	545,936	10/Dec/14	3rd Quarter, 2019	33,386	472,990	
20	Country Garden—Phoenix Bay—Phases One to Five (碧桂园·凤凰湾—第五期)	Xinxiang (Pingyuan)	835,055	Country Garden	92%	42,488	42,337	151	25/Nov/16	535,322	409,483	370,698	30/Oct/15	2nd Quarter, 2019	257,245	472,990	
21	Country Garden—Bay One (碧桂园·碧湾壹)	Guangzhou (Nansha)	168,572	Country Garden	95%	168,572	166,896	0	8/Jun/16	161,561	161,561	161,561	8/Jun/16	3rd Quarter, 2018	33,386	472,990	
22	Country Garden Hill Lake City (碧桂园·山湖城)	Qingyuan (Qingcheng)	1,537,205	Country Garden	100%	738,216	738,130	30	30/Jun/2017	231,058	121,644	107,817	14/Sep/2016	4th Quarter, 2018	567,931	472,990	
23	Country Garden—Pingshou Mansion (碧桂园·平溪府)	Bozhou (Qiaocheng)	297,673	Country Garden	51%	274,920	272,313	0	5/Jun/2017	172,872	172,872	172,872	5/Jun/2017	2nd Quarter, 2019	22,753	472,990	
24	Country Garden me & you (碧桂园·美与优)	Guangzhou (Nansha)	170,443	Country Garden	70%	170,443	167,821	0	5/Aug/2016	162,706	162,706	162,706	5/Aug/2016	3rd Quarter, 2018	137,698	472,990	
25	Country Garden—Central Mansion (碧桂园·中央华府)	Haikou (Longhua)	351,843	Country Garden	85%	214,145	214,145	0	22/Jun/2016	139,813	139,813	139,813	16/Nov/2016	4th Quarter, 2018	137,698	472,990	
26	Jiayang Country Garden (碧桂园·嘉阳)	Jiayang (Jiedong)	543,321	Country Garden	65%	543,321	543,321	0	17/Jun/2017	540,330	540,330	540,330	22/Jun/2016	2nd Quarter, 2019	22,753	472,990	
27	Country Garden—Ronghui (碧桂园·荣汇)	Shenzhen (Longgang)	90,834	Country Garden	90%	90,834	90,834	0	8/Aug/2016	57,157	57,157	57,157	17/Jun/2017	2nd Quarter, 2019	137,698	472,990	
28	Humen Country Garden (碧桂园·荟门)	Dongguan (Humen)	278,948	Country Garden	100%	19,026	19,026	0	13/Mar/2017	259,922	233,279	136,081	8/Aug/2016	4th Quarter, 2018	137,698	472,990	
29	Country Garden—Jade Mansion (碧桂园·翡翠府)	Wuhu (Wuwei)	326,039	Country Garden	49%	326,039	311,606	0	15/Nov/2016	246,235	246,235	246,235	15/Nov/2016	4th Quarter, 2018	137,698	472,990	

Serial number	Project	City (District)	Completed property developments ¹⁾										Properties under development ²⁾										Sizable GFA for future development without impact contracts
			Aggregate sizable GFA for attraction to the project		Interest attributable to the company		Total saleable GFA and pending delivery		Total saleable GFA under development		Total saleable GFA permit		Actual/Estimated commencement date		Sizable GFA for future development		Estimated commencement date						
			sq.m.	%	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.					
31	Huilai Country Garden (惠来碧桂园)	Jieyang (Huilai)	459,785	100%	459,785	288,751	239,482	20Dec/2016	4th Quarter, 2019														
32	Country Garden—Jiayu Garden (碧桂园·嘉誉花园)	Guangzhou (Zengcheng)	174,298	85%	174,298	142,798	105,462	24/Mar/2017	4th Quarter, 2018														
33	Chaozhou Country Garden (潮州碧桂园)	Chaozhou (Xiangqiao)	508,853	100%	228,887	218,956	218,022	16Dec/2016	4th Quarter, 2018														
34	Longyou Country Garden (龙游碧桂园)	Quzhou (Longyou)	123,407	66%	123,407	123,407	117,258	23Dec/2016	4th Quarter, 2018														
35	Country Garden Taifu International (碧桂园·泰富国际)	Wuhan (Caidian)	383,664	20%	310,086	202,330	165,343	11/Oct/2016	2nd Quarter, 2019														
36	Country Garden—Haidiang Star Phase Four (碧桂园·海帝星四期)	Wuhan (Dongzihu Area)	553,667	43%	367,989	316,561	5,128	21/Jun/2016															
37	Country Garden—City Garden (碧桂园·城市花园)	Guangzhou (Zengcheng)	436,681	100%	177,195	174,094	67	15/Aug/2016															
38	Country Garden—Tianyue Bay Mansion (碧桂园·天悦湾名邸)	Suzhou (Taicang)	155,435	85%																			
39	Country Garden—Jade River (碧桂园·翡翠河)	Taizhou (Jingjiang)	190,511	57%																			
40	Beihai Country Garden (北海碧桂园)	Beihai (Yinhai)	363,872	80%																			
41	Country Garden Wantou Central Mansion (碧桂园悦涛中央名邸)	Chuzhou (Nanqiao)	322,117	34%																			
42	Huayao Country Garden—Ten Miles Riverside (华侨城·十里江湾)	Hengyang (Shigu)	1,105,947	60%																			
43	Country Garden—Nanzhan New City (碧桂园·南漳新城)	Huizhou (Huiyang)	4,081,060	60%																			
44	Wujiang—Country Garden City Plaza (五江·碧桂园城市广场)	Loudi (Louding)	626,732	51%																			
45	Country Garden Longxi Hill (碧桂园隆溪山)	Huizhou (Dayawan)	204,303	100%																			
46	Country Garden Feicuiqi (碧桂园翡翠奇)	Nanjing (Lishui)	116,846	60%																			
47	Country Garden—Dexin Mansion (碧桂园·德信公馆)	Quzhou (Kecheng)	348,065	47%																			
48	Shantou Country Garden (汕头碧桂园)	Shantou (Longhu)	153,470	100%																			
49	Country Garden—Europe City (碧桂园·欧洲城)	Chuzhou (Nanqiao)	1,866,376	100%	1,076,618	1,060,969	2,203	27/Jun/2017															
50	Lumiao Country Garden (鹿鸣碧桂园)	Foshan (Shunde)	445,850	65%																			
51	Country Garden—Shijiangnan (碧桂园·十里江湾)	Suzhou (Wujiang)	221,541	40%																			
52	Country Garden—Ten Miles Riverside (碧桂园·十里江湾)	Yangjiang (Binhai New Area)	424,254	94%																			
53	Country Garden—City One (碧桂园·城市一号)	Dongguan (Dalong)	421,878	60%																			
54	Country Garden—Jade Bay—Phases One to Three (碧桂园·翡翠湾一至三期)	Suzhou (Zhangjiagang)	292,993	60%																			
55	Wuzhou Country Garden (梧州碧桂园)	Wuzhou (Sishanpu)	1,849,800	100%	1,426,830	1,404,532	7,161	18/Jun/2017															
56	Country Garden—City Central One (碧桂园·城市中央一)	Dongguan (Guancheng)	97,857	100%																			
57	Shatian Country Garden (沙田碧桂园)	Dongguan (Shatian)	371,035	100%	43,705	43,459		13/Jun/2016															
58	Country Garden Cuihu Bay (碧桂园翠湖湾)	Huizhou (Huiyang)	342,377	70%																			
59	Country Garden—Amber Garden (碧桂园琥珀花园)	Guangzhou (Zengcheng)	142,801	51%																			
60	Country Garden—Yanshan Mansion (碧桂园·燕山公馆)	Changzhou (Liyang)	322,669	100%																			
61	Country Garden Haojing Bay (碧桂园豪景湾)	Shanghai (Fengxian)	33,563	33%																			
62	Country Garden Longyue (碧桂园珑悦)	Hangzhou (Xiaoshan)	115,998	100%																			
63	Tianshui Country Garden (天水碧桂园)	Tianshui (Qinzhou)	458,441	93%																			

Serial number	Project	City (District)	Completed property developments ⁹										Properties under development ¹⁰										Saleable GFA for future development with signed contracts
			Aggregate saleable GFA		Interest attributable to the project	Total saleable GFA		Completion date	Total saleable GFA under development		Actual/Estimated commencement date	Estimated completion date	Saleable GFA for future development	Estimated commencement date	Estimated completion date								
			sq.m.	%		sq.m.	sq.m.		sq.m.	sq.m.						sq.m.							
64	Country Garden—Jade Bay (碧桂园·翡翠湾)	Jiangmen (Kaiping)	859,073	100%	590,970	2,214	23/Dec/2016	199,399	199,399	183,822	5/feb/2016	4th Quarter, 2018	68,704	3rd Quarter, 2017	4th Quarter, 2019								
65	Shaoguan Country Garden—Sun Palace (韶關碧桂园·太阳宫)	Shaoguan (Xilan)	3,725,556	100%	1,355,460	1,344,436	604	15/Dec/2016	755,794	351,089	326,620	29/Apr/2016	4th Quarter, 2019	1,614,302	1st Quarter, 2018	4th Quarter, 2024							
66	Country Garden—Grand Mansion (碧桂园·华府)	Foshan (Shunde)	360,514	73%	119,759	116,921	28/Jun/2017	240,755	189,885	142,501	22/Aug/2016	1st Quarter, 2019											
67	Country Garden—Diamond Bay (碧桂园·钻石湾)	Suzhou (Zhangjiagang)	78,671	100%				78,671	78,671	70,548	31/Mar/2017	4th Quarter, 2018											
68	Country Garden—Jingjiang Mansion—Phases one & two (碧桂园·景江府)	Jiangmen (Fengjiang)	340,115	51%				340,115	295,455	274,139	28/Jun/2016	2nd Quarter, 2019											
69	Shanghai Country Garden (碧桂园·上海)	Nanning (Meiliu)	970,964	100%	626,937	619,762	23/Dec/2016	344,027	333,033	233,310	21/feb/2014	4th Quarter, 2018											
70	Country Garden Pudong Star Daliway (碧桂园·浦东星)	Shanghai (Pudong)	39,707	50%				39,707	39,707	36,256	31/Dec/2016	4th Quarter, 2018											
71	Ningbo Yinzhou Wetland Park Project (碧桂园·宁波)	Ningbo (Yinzhou)	115,714	100%				115,714	114,336	82,821	24/Jun/2016	2nd Quarter, 2018											
72	ZhongKai Country Garden (碧桂园·中海)	Kaifeng (Xinpu)	241,932	70%				241,932	105,188	93,469	4/Jun/2017	2nd Quarter, 2019											
73	Country Garden—Phoenix City (碧桂园·凤凰城)	Zhongshan (Nanqu)	1,126,406	85%				149,008	114,088	65,535	23/Dec/2016	4th Quarter, 2018	977,388	4th Quarter, 2017	4th Quarter, 2020								
74	Anqing Country Garden (碧桂园·安清)	Anqing (Yingjiang)	3,095,269	100%	2,000,690	1,387,175	1,135	30/Jun/2017	1,088,206	108,206	107,562	19/Jun/2017	4th Quarter, 2018	986,373	4th Quarter, 2017	4th Quarter, 2021							
75	Country Garden—Tianhui (碧桂园·天汇)	Jiangmen (Heban)	220,248	51%				220,248	160,795	157,320	30/Sep/2016	2nd Quarter, 2019											
76	Country Garden—Lanfa Rongjiang Mansion (碧桂园·兰芳)	Ganzhou (Rongjiang New City)	158,805	100%				158,805	126,006	112,056	31/May/2017	1st Quarter, 2019											
77	Country Garden—Mansion One (碧桂园·华府一期)	Quzhou (Kecheng)	98,906	100%				98,906	98,906	78,175	27/Oct/2016	3rd Quarter, 2018											
78	Daxiao Country Garden (碧桂园·大晓)	Foshan (Nanhai)	292,355	100%				292,355	179,166	161,850	30/Sep/2016	3rd Quarter, 2019											
79	Country Garden—Phoenix Bay (碧桂园·凤凰湾)	Foshan (Shunde)	2,736,584	42%				1,096,501	348,809	265,388	10/Aug/2016	2nd Quarter, 2020	1,640,083	2nd Quarter, 2018	4th Quarter, 2022								
80	Jintan Country Garden (碧桂园·锦潭)	Changzhou (Jintan)	395,796	85%	119,110	118,707	408	31/Dec/2016	276,686	274,741	271,414	19/Jun/2015	4th Quarter, 2018										
81	Country Garden—Golden Beach (碧桂园·金沙湾)	Lir'gao (Lir'gao)	677,572	51%	433,064	414,177	1,806	15/Dec/2016	106,480	106,480	102,535	11/Mar/2016	2nd Quarter, 2018			138,028							
82	Country Garden East Coast (碧桂园·东海岸)	Qionghai (Boao)	1,026,946	43%	112,137	109,124	375	30/Dec/2016	324,687	169,919	156,721	11/Sep/2009	2nd Quarter, 2019	590,122	4th Quarter, 2017	4th Quarter, 2020							
83	Country Garden—Jade Mansion (碧桂园·翡翠府)	Zhenjiang (Jurong)	476,248	85%				476,248	303,767	267,670	4/Jun/2016	4th Quarter, 2018											
84	Country Garden—Century City (碧桂园·世纪城)	Zhenjiang (Jurong)	388,101	100%				388,101	384,684	379,786	30/Dec/2015	4th Quarter, 2018											
85	Country Garden—Riverside One (碧桂园·江湾壹号)	Shaoying (Shengzhou)	413,015	51%				314,951	291,342	128,900	18/Nov/2016	1st Quarter, 2019											
86	Country Garden Forest One (碧桂园·森林壹号)	Qiannanzhou (L'ongji)	402,630	50%	40,796	39,631	168	16/Dec/2016	313,572	313,572	208,944	17/Dec/2015	4th Quarter, 2018	48,262	4th Quarter, 2017	2nd Quarter, 2019							
87	Taiwan Country Garden (碧桂园·台湾)	Jiangmen (Taishan)	2,501,410	100%	1,330,938	1,328,625	869	29/Jun/2017	282,898	190,328	123,711	8/Oct/2016	4th Quarter, 2018	887,574	4th Quarter, 2017	4th Quarter, 2021							
88	Country Garden—Longyue (碧桂园·龙悦)	Wenzhou (Lucheng)	124,657	95%				36,857	36,857	27,886	23/May/2017	4th Quarter, 2018											
89	Country Garden—Hu-pan-yue—Jian (碧桂园·湖岸悦见)	Suzhou (Xiangcheng)	342,157	43%				212,086	171,517	68,537	23/Mar/2017	2nd Quarter, 2019	87,800	4th Quarter, 2017	4th Quarter, 2023								
90	Country Garden—Jade Mansion (碧桂园·翡翠府)	Nantong (Chongchuan)	150,864	100%				140,017	108,968	54,746	14/Dec/2016	4th Quarter, 2018	130,071	4th Quarter, 2017	4th Quarter, 2019								
91	Country Garden—Dragon City (碧桂园·龙塘)	Bozhou (Guoyang)	147,797	43%				147,797	147,797	140,235	25/Jun/2017	4th Quarter, 2018	10,847	4th Quarter, 2017	2nd Quarter, 2019								
92	Country Garden—Ten Miles Riverside (碧桂园·十里江湾)	Liuzhou (Chengzhongqiu)	490,541	43%				155,642	155,642	104,308	30/Sep/2016	4th Quarter, 2018	334,899	4th Quarter, 2017	4th Quarter, 2019								
93	Dongshang Country Garden (碧桂园·东尚)	Meizhou (Meijiang)	504,055	83%				468,684	316,656	294,176	31/May/2016	2nd Quarter, 2019	45,371	1st Quarter, 2018	4th Quarter, 2019								
94	Country Garden—Ten Miles Golden Beach (碧桂园·十里金湾)	Yantai (Huiyang)	2,220,603	90%	712,988	605,017	8,031	19/Apr/2016	338,751	172,431	24,592	15/Aug/2013	2nd Quarter, 2019	1,013,925	2nd Quarter, 2018	4th Quarter, 2023							
95	Country Garden—Xixi Court (碧桂园·西溪院)	Wuxi (Huizhan)	288,040	85%				178,983	178,983	92,394	20/Jun/2017	1st Quarter, 2019	109,057	4th Quarter, 2017	3rd Quarter, 2019								
96	City Country Garden (碧桂园·城市)	Ningbo (Cixi)	215,914	100%	215,914	209,416	1,350	24/Oct/2016															

Serial number	Project	City (District)	Completed property developments ¹⁾				Properties under development ²⁾				Properties for future development ³⁾			
			Aggregate saleable GFA for the project	Interest attributable to the Company	Total saleable GFA completed to the date	Total saleable GFA delivered	Total saleable GFA pending delivery	Completion date	Total saleable GFA under development	Total saleable GFA with permit	Total saleable GFA pre-sold	Actual/Estimated commencement date	Saleable GFA for future development	Estimated commencement date
97	Country Garden—Ten Miles Riverside (碧桂园·十里江湾)	Fuzhou (Minhou)	148,792	51%	148,792	148,792	116,680	115,801	22/Mar/2016	4th Quarter, 2018				
98	Nanjing Country Garden (南京碧桂园)	Nanjing (Jiangning)	652,294	100%	417,548	238,746	235,596	207,761	17/Jun/2016	4th Quarter, 2018				
99	Shengze Country Garden—including Times City (碧桂园·盛泽(含时代城))	Suzhou (Wujiang)	627,304	100%	627,304	377,542	310,664	223,141	13/Apr/2016	4th Quarter, 2018	249,762	4th Quarter, 2017	4th Quarter, 2019	
100	Lianjiang Country Garden (联江碧桂园)	Zhenjiang (Lianjiang)	381,628	79%	302,111	299,799	281,621	20/Apr/2016	4th Quarter, 2018	79,517	4th Quarter, 2017	2nd Quarter, 2019		
Total			80,798,353	24,344,780	23,898,680	118,256	30,960,905	24,401,750	19,488,244				1,178,849	

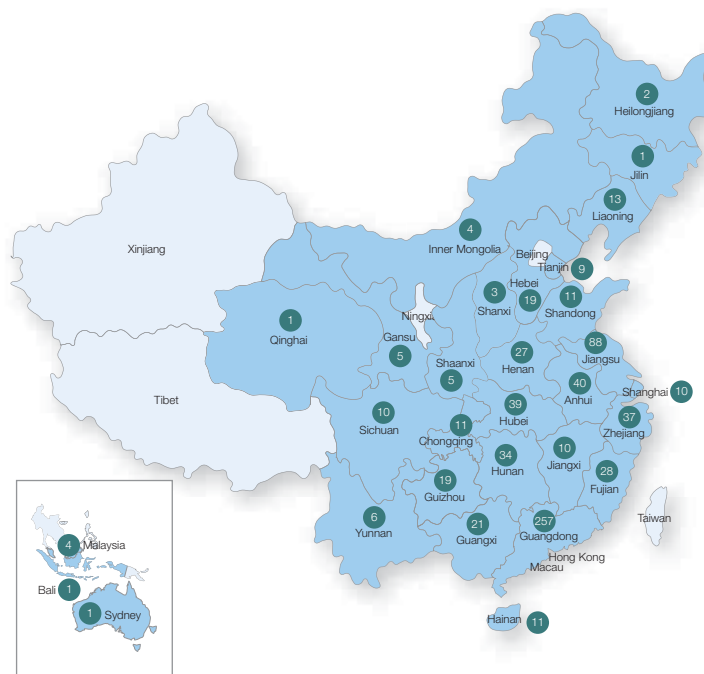
Notes:

- 1 Based on the measurement reports from relevant government departments.
- 2 Based on the actual measurements by the project management departments of the Group.
- 3 "Saleable GFA for future development" for each project is the GFA expected to be built. (1), (2), (3) had obtained land use right certificates, development and operation rights or land titles.

As of June 30, 2017, our project companies had entered into land grant contracts or land grant confirmation letters in respect of land in various cities in Guangdong Province, Fujian Province, Jiangsu Province, Hubei Province, Anhui Province, Shandong Province, Sichuan Province, Zhejiang Province, Hunan Province, Chongqing Municipality, Guizhou Province, Jiangxi Province, Qinghai Province, Hainan Province, Tianjin Municipality, Shanxi Province, Shaanxi Province, Hebei Province, Guangxi Zhuang Autonomous Region, Liaoning Province, Henan Province and Yunnan Province. These parcels of land have an aggregate site area of approximately 18,418,270 sq.m., and an aggregate expected GFA of approximately 35,358,025 sq.m. We have not yet paid a portion of the land premium for certain parcels of such land. As of June 30, 2017, we had not obtained land use rights certificates or land title in respect of these parcels of land. We cannot assure you that we will obtain the land use rights certificates or land title in respect of these parcels of land in a timely manner or at all. Further, we have not commenced any construction or preparation of construction relating to these parcels of land, nor do we have any detailed plans for them.

Description of our property projects

The following maps show the regions where our 959 projects in China, as well as our six projects outside of China, are located as of June 30, 2017:



In terms of a breakdown of our Group's domestic contracted sales by target markets, as of June 30, 2017, approximately 50% of our Group's contracted sales were derived from our projects which targeted the first and second-tier cities in China, while approximately 50% of our Group's contracted sales were derived from our projects that targeted third- and fourth-tier cities.

As of June 30, 2017, we had one projects in the State of Selangor, Malaysia, three projects in the State of Johor of Malaysia, one project in Bali, Indonesia, and one project in Sydney, Australia, the project companies of which are Unrestricted Subsidiaries, as defined under "Description of the Notes—Definitions." The following sets forth a brief description of our projects located outside of China.

Selangor State, Malaysia

Country Garden Diamond City (碧桂園鑽石城)

Country Garden Diamond City is located in Taman Bukit Mewah, Jalan Tun Zamrud, off Jalan Semenyih, Kajang, Selangor Darul Ehsan. It is being developed by Mayland Venue Sdn Bhd, a project company in which we hold a 55% equity interest. The project has an expected saleable GFA of approximately 586,915 sq.m.

As of June 30, 2017, a total saleable GFA of 131,807 sq.m. was completed in Country Garden Diamond City.

As of June 30, 2017, the properties under development had an expected saleable aggregate GFA of approximately 243,345 sq.m. Upon completion, there are expected to be 870 residential flats with an aggregate saleable GFA of approximately 243,345 sq.m.

As of June 30, 2017, the properties held for future development had an expected aggregate GFA of approximately 211,763 sq.m.

Country Garden Diamond City is expected to offer villas and townhouses in the future.

Johor State, Malaysia

Country Garden Forest City (碧桂園森林城市)

Country Garden Forest City is a vertical and multi-tiered city project situated in Iskandar Malaysia and linked to Singapore by a bridge. It has a site area of 20 sq.km. under its development plan. Its ground area will mostly be parks that will be off limits to vehicles. It is expected that there will be vertical greeneries on the walls of the buildings to allow its residents to live in a garden-like environment. It is being developed by a joint venture that we formed with the government of Johor State in Malaysia. It is an urban development project with an expected total development term of 20 years. We hold a 60% equity interest in the joint venture. We have completed the planning stage for this project together with our domestic and foreign partners, and expect to proceed with construction on a rolling basis based on pre-sales and market response.

Country Garden Danga Bay (碧桂園金海灣)

Country Garden Danga Bay is located in 2nd Floor, Lot PTB 22056, Danga Bay, Jalan Skudai, 80200 Johor Bahru, Johor. It is being developed by Country Garden Danga Bay Sdn Bhd, our wholly owned project company. The project has an expected saleable GFA of approximately 1,023,134 sq.m.

As of June 30, 2017, there was no completed property in Country Garden Danga Bay.

As of June 30, 2017, the properties under development had an expected saleable aggregate GFA of approximately 1,023,134 sq.m. Upon completion, there are expected to be 9,539 residential flats, 71 shops and a shopping mall with an aggregate saleable GFA of approximately 1,023,134 sq.m.

As of June 30, 2017, there was no property held for future development in Country Garden Danga Bay.

Country Garden Danga Bay is expected to offer high-rise apartment buildings, 71 retail shops and a shopping mall in the future.

Bali, Indonesia

Bali Project (巴厘島項目)

Bali Project is located in the island of Bali. It is being developed by Surya Gardena Propertindo, our 65%-owned project company. The project occupies an aggregate site area of approximately 142,720 sq.m. and has an expected saleable aggregate GFA of approximately 236,336 sq.m.

As of June 30, 2017, there was no completed property or property under development in Bali Project.

As of June 30, 2017, the properties held for future development had an expected GFA of approximately 236,336 sq.m.

Bali Project is expected to offer residential apartments and townhouses in the future.

Sydney, Australia

Ryde Garden (Sydney) (碧桂園悉尼萊德花園)

Ryde Garden (Sydney) is located in 27-37 Delhi Road North Ryde. It is being developed by BGY North Ryde Pty Ltd, our wholly owned project company. The project has an expected saleable GFA (including saleable and non-saleable GFA) of approximately 62,420 sq.m.

As of June 30, 2017, there was no completed property in Ryde Garden (Sydney).

As of June 30, 2017, the properties under development had an expected saleable GFA of approximately 62,420 sq.m. Upon completion, there are expected to be 830 residential flats and 10 retail shops.

As of June 30, 2017, there was no property held for future development in Ryde Garden (Sydney).

Ryde Garden (Sydney) is expected to offer high-rise apartment buildings and retail shops in the future.

Property development

Our property development and project management procedures

We integrate our resources to conduct land acquisition, planning, project design and construction, sales and post-sales support, and a series of development works. These areas are coordinated and supervised by our central management and carried out by our various functional departments, subsidiaries, and affiliates. We have also established a regional project management structure with a view to further strengthening our project management capabilities and efficiency as our operations continue to grow both inside and outside Guangdong Province. Under this regional project management structure, we currently divide our property development operations into 38 regions. Each region has a designated regional director responsible for overseeing property development.

Site selection

Site selection is a fundamental step in our property development process. A team of full-time staff members is designated for identifying sites in the PRC, Malaysia, Indonesia and Australia for prospective property development. Our pre-acquisition site visits and investigations, in conjunction with research and analysis, enable us to understand the general trends and specific conditions of target property markets when assessing the suitability for development of a particular site. When selecting sites for our development projects, we usually apply the following criteria:

- geographical location of the development sites, for example, proximity and accessibility to city centers or business districts;
- property market conditions in the vicinity of the development site;

- local urban planning and specifications; and
- estimated cost, investment and financial return.

Our marketing and sales center and our design service providers are involved in the early stages of the site identification process. The marketing and sales center carries out research and analysis relating to potential market demand. Design services, including planning and concept design, are provided by Guangdong Elite Architectural Co., Ltd. (“Guangdong Elite Architectural Co., Ltd.”), which is our affiliate and principal design service provider.

Upon completion of the preliminary feasibility studies, our executive directors become closely involved in the assessment process by conducting on-site visits before deciding whether to proceed with the acquisition of a site.

Once we have decided to acquire a site, Guangdong Elite Architectural Co., Ltd. begins its preliminary site-planning work.

Land acquisition

Prior to July 2002, we acquired some of our land use rights through a land grant contract or a land transfer agreement entered into with local government authorities. Since July 1, 2002, the PRC government introduced regulations requiring that the land transferred from government authorities be sold by a public tender, auction or listing-for-sale. Prior to submitting a tender, we analyze the market and estimate the budget required to develop the project. To acquire a parcel of land, we first need to be successful in the public tender, auction or the listing-for-sale process. In addition, we may also acquire corporate entities that hold land use rights or property projects.

As of June 30, 2017, we had an aggregate GFA of 268,849,796 million sq.m. located in 29 provinces and autonomous regions in China. Most of our land banks were located in Guangdong, Jiangsu, Anhui, Hubei, Hunan, Zhejiang, Henan, Hebei, Guizhou, Guangxi and other provinces, representing 34%, 12%, 8%, 5%, 5%, 3%, 5%, 3%, 3%, 3% and 19% of our total GFA in China, respectively.

As of June 30, 2017, we had an aggregate GFA under development and for future development of approximately 139,487,523 sq.m. for which we have obtained the relevant land use rights certificates, development and operation rights or land title. We estimate that our current land reserves will be sufficient for our development needs for the next three to five years.

In addition, as of June 30, 2017, our project companies had entered into land grant contracts or land transfer contracts in respect of land in various cities in Guangdong Province, 21 other provinces, 3 autonomous region and 4 municipality in China, for which we have applied or were in the process of applying for land use rights certificates or land title. This land bank covers an aggregate site area of approximately 18,418,270 sq.m., with an aggregate expected GFA of approximately 35,358,025 sq.m. for future development.

In certain cases where we are interested in acquiring land in the PRC, we assist local governments in clearing the land and relocate the original residents so that the land is ready for tender, auction and listing-for-sale. In such cases, we enter into land clearance agreements with the relevant land authorities, under which we are reimbursed for expenses we incur for land clearance and relocation and we are entitled to a portion of the profit realized by the local government on the land sale. We do not control the timing of the sale of the land use rights in

the land that we have cleared, nor do we set the price for which such land use rights are sold. Sales of the land use rights are conducted by the relevant local government land authorities, through a bidding, auction or listing-for-sale process. If we are interested in bidding for the land, we are required to go through the tender, auction and listing-for-sale process as with other developers and there can be no assurance that we will win the bid. See “Risk factors—Risks relating to our business—We may not receive full compensation for assistance we provide to local governments to clear land for government land sales.”

Our ability to acquire land for development is subject to extensive regulations issued by the PRC central and local governments. Further to the requirement of public tender, auction and listing-for-sale, on September 28, 2007, the Ministry of Land and Resources issued a new regulation, which provides that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate or commence development on the land, effective November 1, 2007.

On November 18, 2009, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the PRC Ministry of Supervision and the PRC National Audit Office issued the “Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant” (關於進一步加強土地出讓收支管理的通知), which raises the minimum down payment for land premiums to 50% of the total premium and requires the land premium to be fully paid within one year of signing a land grant contract, subject to limited exceptions.

On March 8, 2010, the Ministry of Land and Resources issued the “Circular on Strengthening Real Estate Land Supply and Supervision” (關於加強房地產用地供應和監管有關問題的通知) under which the minimum price for a given land transfer is required to be equal to at least 70% of the benchmark price for land in the surrounding locality and the bidding deposit for such land transfer is required to be equal to at least 20% of the applicable minimum transfer price. Property developers are also required to pay 50% of the land premium (taking into account any deposits previously paid) as a down payment within one month of signing a land grant contract and the total amount of land premium is to be paid in full within one year of the date of the land grant contract, subject to limited exceptions.

On May 23, 2012, the Ministry of Land and Resources issued the “Catalog of Restricted Use of Land (2012 Version Supplement)” (限制用地項目目錄(2012年本增補本)) and the “Catalog of Prohibited Use of Land (2012 Version Supplement)” (禁止用地項目目錄(2012年本增補本)) which provides that the area of a parcel of land granted for commodity housing development must not exceed seven hectares in small cities (towns), 14 hectares in medium cities or 20 hectares in large cities.

As a result of these regulations, property developers in the PRC are no longer allowed to bid for a large piece of land, make partial payment, and then apply for a land use rights certificate for the corresponding portion of land and commence development, which was the practice in many Chinese cities. The implementation of these regulations may increase land transfer prices and require property developers to maintain a higher level of working capital. We cannot assure you that we are able to acquire land suitable for development at a reasonable cost or that our cash flow position, financial condition or business plans will not be materially and adversely affected as a result of the implementation of these regulations. We believe that larger property developers like ourselves generally are in a better position to compete for large pieces of land because they normally are in a stronger financial condition.

In Malaysia, Australia and Indonesia, we rely on local counsel and consultants to guide us through the land acquisition process and assist us in entering into various sales and purchase agreements to acquire land sites for development.

Financing property developments and land premium

We finance our property developments through a combination of internal funds derived from sales proceeds and shareholder contributions as well as external financings mainly through bank loans and equity and debt financing in the international capital markets. We typically use internal funds and proceeds from capital markets financings to pay for the land acquisition costs and use internal funds and project loans from PRC and Malaysian banks to finance the initial construction costs for our property developments. External financing therefore is an important source of funding for our property development projects. As of June 30, 2017, our outstanding borrowings (including bank and other borrowings, receipts under securitization arrangements, the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes and corporate bonds) amounted to RMB162,432.1 million (US\$23,960.0 million). Our operations generate cash through pre-sales after the properties meet the requirements of pre-sale under PRC, Malaysian, Indonesia and Australian regulations. Such proceeds from pre-sales, together with the project loans, are the major sources of funding for the construction of our property developments.

On June 5, 2003, PBOC published the Notice on Further Strengthening the Management of Loans for Property Business (中國人民銀行關於進一步加強房地產信貸業管理的通知), which prohibits commercial banks from advancing loans to fund the payment of land premiums. As a result, property developers may not use PRC bank loans to pay for land premiums. Following the publication of this notice, we have paid land premiums from the proceeds from the sale of properties and not from any of our outstanding bank borrowings. We plan to continue to use the proceeds from the sale of our properties, our other internal funds and proceeds from capital market financing to finance our future land premium payments. In addition, pursuant to the Guidance on Risk Management of Property Loans of Commercial Banks (商業銀行房地產貸款風險管理指引), issued on September 2, 2004, any property developer applying for property development loans must have, as its own working capital, at least 35% of the project capital required for the development. In May 2009, to combat the impact of the global economic slowdown and to encourage domestic consumption, the State Council issued the "Notice for Adjusting the Capital Ratio for Fixed Assets Investment Projects" (國務院關於調整固定資產投資項目資本金比例的通知). Under this notice, the internal capital ratio for protected housing projects and ordinary commodity housing projects was lowered from 35% to 20%, and the internal capital ratio for other property projects was lowered from 35% to 30%, which was further decreased to 25% in September 2015. However, in an attempt to control the growth of the PRC property market, the PRC government in November 2009 raised the minimum down payment to 50% of the total land premium and on March 8, 2010, the Ministry of Land and Resources issued the circular on Strengthening Real Estate Land Supply and Supervision (關於加強房地產用地供應和監管有關問題的通知) under which property developers are required to pay 50% of the land premium as a down payment within one month of signing a land grant contract and the total amount of land premium is to be paid in full within one year of the date of the land grant contract, subject to limited exceptions. Such policy may constrain our cash otherwise available for additional land acquisition and construction in the PRC.

We obtain project loans from a number of commercial banks in the PRC and in Malaysia, including major PRC banks such as Agricultural Bank of China, Industrial and Commercial Bank of

China, Bank of China, China Construction Bank and Guangdong Development Bank, as well as major Malaysian banks such as Bank of China (Malaysia) Berhad, CIMB Bank Berhad, HSBC Bank Malaysia Berhad, Industrial and Commercial Bank of China (Malaysia) Berhad, Public Bank Berhad and Malayan Banking Berhad.

We cannot assure you that we will be able to continue to obtain sufficient bank loans or facilities in the future. See “Risk factors—Risks relating to our business—We may not have adequate funding resources to finance land acquisitions or property developments, or to service our financing obligations.”

Project design work

Our general design work is mainly undertaken by Guangdong Elite Architectural Co., Ltd., which is an affiliate of our controlling shareholder and provides services to us on a priority basis. Our landscaping and greenery design is mainly undertaken by Foshan Shunde Oasis Greenery Design Co., Ltd., an independent third party. In Malaysia, both Guangdong Elite Architectural Co. and Foshan Shunde Oasis Greenery Design Co., Ltd. also work with local consultants to ensure their designs meet the standards set by relevant Malaysian government agencies. In Australia, we generally outsource our general design work to local independent third parties, and for landscaping and greenery design work, we plan to outsource them to independent third parties.

The design companies become involved in planning research and preliminary design work for a development project at the site selection and land acquisition stages. When determining the design of a particular property development, the designers and engineers generally consider the recommendations of our marketing and sales center regarding product mix, project location and market conditions, as well as the regulatory requirements regarding the design. Involving the design companies at an early stage allows for the formulation of a preliminary design when we are negotiating with the government, enabling us to commence construction shortly after the requisite approval to develop a parcel of land has been granted. The overall time needed to complete the development is therefore reduced.

Construction work and procurement

Construction work

The construction phase of a development project in the PRC begins once we obtain the Construction Permit for the project. The general project management department is responsible for the overall coordination and allocation of responsibilities in respect of the construction of each project area at different stages and supervises the progress of construction work. Prior to that, our project cost management department prepares the overall budget for a development at different stages. We set up a project company for each project to manage the whole property development project. The project company has a project manager, a project management department, a finance department and a sales department, all of which report to their corresponding functional departments at our headquarters.

Giant Leap Construction Co., our wholly owned subsidiary, currently undertakes most of the construction work for our development projects in Guangdong Province. For the years ended December 31, 2014, 2015, 2016 and the six months ended in June 30, 2017, construction costs attributable to Giant Leap Construction Co. amounted to 18.1%, 13.9%, 15.4% and 16.4%, respectively, of our total construction costs. Apart from a few related parties and other third parties, we are the principal customer of Giant Leap Construction Co.

For property projects outside Guangdong Province and overseas such as in Malaysia, we generally outsource the construction work to third party contractors to leverage on their local expertise. In addition, when Giant Leap Construction Co. does not have adequate resources to deal with a particular development or when the projected profits from a project are not economically attractive, we outsource project construction work in whole or in part to independent third parties. In such outsourcing cases, we select construction contractors through a tender process organized by our project cost management department. On a selective basis, we may also consider acquiring or setting up local construction companies in our major markets outside Guangdong Province. We have so far established local construction companies for our projects in Anhui Province, Hubei Province, Jiangsu Province, Liaoning Province, Hebei Province and Hainan Province. In Malaysia, we have also set up regional offices of Giant Leap Construction Co. to support the work of our third party contractors there. For property projects in Australia, we plan to outsource the construction work to third party contractors. For our property project in Indonesia, we outsource the construction work to third party contractors.

Under PRC national laws and regulations, a tender process is usually required to select the contractors for public construction projects. When a tender process is required for one of our projects, the Tender Law of the PRC (中華人民共和國招標投標法) will apply. Certain local governments in the PRC may require that all construction projects go through a tender process.

Because of the growth in the number of our projects and their geographical coverage, we expect that we will continue to engage the services of independent construction contractors, particularly for projects outside Guangdong Province and overseas such as in Malaysia, Indonesia and Australia. See “Risk factors—Risks relating to our business—We rely on independent contractors.” Without any long-term construction outsourcing contracts in place, we intend to work with a number of qualified contractor candidates in order to create a competitive environment among them.

Procurement

Currently, some of the construction work for our projects in the PRC is undertaken by Giant Leap Construction Co., our wholly owned subsidiary. Some of the supplies, including equipment and material, for our construction work undertaken by Giant Leap Construction Co. are centrally procured through our procurement department. Our procurement department typically solicits price quotes from at least two prospective suppliers, negotiates the price and other terms with them and finalizes the purchase arrangements with the winning supplier by signing price confirmations for regular supplies and executing procurement contracts for major equipment and constructions. Each transaction is initiated by a purchase order from our procurement department, and the suppliers are asked to deliver the supplies to locations specified by the relevant project companies or to our central warehouse, which has a computerized record-keeping system for inventory. Our centralized procurement system gives us more bargaining power and better cost control, enabling us to benefit from economies of scale.

When we outsource the construction work for a project to a third party contractor, the contractor generally undertakes the procurement of key construction materials such as steel, cement, sand and stone according to the specifications provided in the construction contract. The total contractor fee takes into account the costs of these materials and the construction contract typically allows adjustment to the total contractor fees if at the time of purchases, the prices of such construction materials have fluctuated beyond the range stipulated in the construction contract.

Fitting and decoration work

The finishing of most of our projects includes fitting and decoration in accordance with the standards set out in our design specifications for the project. Our wholly owned subsidiary, Finest Decoration Co., provides most of the fitting and decoration services for our projects in the PRC and Malaysia. Finest Decoration Co. will continue to provide fitting and decoration services exclusively for our projects in the future. We also outsource some components of the fitting and decoration work to independent third parties through a tender process.

Quality control

We have established procedures to ensure that the quality of our properties and services complies with relevant regulations and meets market standards. Quality control procedures are implemented by the relevant functional departments as well as by each project company. For each property development project in the PRC, quality inspections and regulatory compliance reviews are carried out by the construction company, construction supervisory companies and our project management department.

In accordance with the PRC regulations, we engage the services of PRC-qualified third-party construction supervisory companies to supervise the construction of our property developments. These construction supervisory companies oversee, under a construction supervision contract, the progress and quality of the construction work of a property development throughout the construction phase. We select construction supervisory companies through a tender process.

In Malaysia, Indonesia and Australia, to ensure construction quality, the relevant departments of our project companies work closely with local government agencies and consultants to perform site checks and supervise the construction process.

Pre-sales

Pre-sale of our property units commences before the completion of a project or a project phase. Under the Law of the Administration of Urban Real Estate of the PRC and the Administrative Measures governing the Pre-sale of Urban Real Estate (城市商品房預售管理辦法), as amended in 2001 and 2004, we must comply with the following conditions before pre-sales of a particular property in the PRC can commence:

- the land premiums must have been fully paid and the land use rights certificates must have been obtained;
- the construction works planning permit and construction project building permit must have been obtained;
- the funds contributed to the development of the property developments where property units are to be pre-sold must reach 25% or above of the total amount to be invested in the project, the project must comply with the relevant governmental regulations and the expected completion date and delivery date of the construction work must have been ascertained; and
- pre-sale permits must have been obtained from the county-level construction bureau or property administration authority.

According to the Notice on Further Enhancing the Supervision of the Real Estate Market and Improving the Pre-sale System of Commodity Housing (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) issued by the MOHURD on April 13, 2010, the property developers are not allowed to charge the property purchasers any deposit, pre-payment or payment of the similar nature prior to obtaining the pre-sale permit.

Local governments have also implemented regulations relating to pre-sales of properties. Some of these regulations contain stricter requirements than the central government regulations. We are subject to these local regulations in areas where we have property developments.

Under PRC law, the proceeds from the pre-sales of our properties must be deposited in escrow accounts. Before the completion of the pre-sold properties, the monies deposited in these escrow accounts may only be used to purchase construction materials and equipment, make interim construction payments and pay taxes, subject to prior approval from the relevant local authorities. See the section headed "Regulation" to this offering memorandum for further information on PRC regulations that relate to pre-sales.

Under Malaysian laws, we must receive the following approvals before launching the pre-sales of a particular property:

- the relevant local authorities must have approved our master planning of the development;
- we must have also received local authorities' approval of our building plans, which include information such as project's designs, planned GFAs and floor plans; and
- advertising and sale permits must have also been obtained from the Malaysian Ministry of Housing and Local Government before pre-sales can finally begin.

Under relevant property laws in New South Wales, there is no pre-sale requirement for off-plan apartment sales. However, deposits are typically held in trust accounts to protect interests of the buyers and the developers.

Marketing and sales

Our marketing and sales center is responsible for formulating and implementing our marketing and sales strategies. We support our marketing and sales activities through cooperation with external professional marketing and sales service providers. As of June 30, 2017, our marketing and sales team comprised approximately 22,385 employees.

Our marketing and sales center is involved in our property development starting from the early stages and provides its input at key steps. When a potential project is identified by our investment department, our marketing and sales center conducts local property market research and studies the government's land policies. Before we decide to acquire land, our marketing and sales center provides the results of the research and analysis of the relevant parcels of land. During the land acquisition process, our marketing and sales center provides suggestions on the site plan and design. During the project design and construction processes, our marketing and sales center also works closely with our project design companies to formulate, modify and execute a design plan according to consumer preferences and market feedback. Our sales team regularly provides customer feedback to Guangdong Elite Architectural Co., Ltd. and other departments for future improvements.

Customers

Local residents in Guangdong Province have historically been our core customer base. We expect to gradually broaden our customer base geographically as our projects outside Guangdong Province commence pre-sale and sale. A substantial portion of the purchasers of our overseas projects are, and are expected to continue to be, PRC persons. See “Risk factors—Risks relating to the PRC—PRC economic, political and social conditions, as well as government policies, could affect our business. We also sell our properties to residents in Hong Kong, Macau, neighboring provinces and overseas such as in Malaysia, Australia and Indonesia. We target a broad base of customers with varied income levels and backgrounds, with middle-class customers as our primary targets.

Payment arrangements

Our customers in the PRC, including those making pre-sales purchases, can pay with mortgage facilities arranged with banks. The mortgage payment terms for sales and pre-sales of properties are substantially the same. All purchasers are required to make a down payment of at least 20% of the purchase price when executing a purchase contract. A maximum 30-year mortgage loan for up to 80% of the purchase price may be available from the mortgage banks to the purchasers who are required to settle such amount within one or three months following the execution of the sales and purchase contract.

Mortgage financing is subject to extensive regulation in the PRC, including requirements with respect to minimum down payments and mortgage lending interest rates. See “Regulation—Legal supervision relating to property sector in the PRC—E. Property transactions—(c) Mortgages of property” and “Risk factors—Risks relating to our business—Our sales and pre-sales will be affected if mortgage financing becomes more costly or otherwise unavailable.”

If purchasers choose not to finance their purchase with mortgage loan facilities, they are typically required to pay at least 30% of the purchase price at the time of the execution of the sale and purchase contract. In the case of a pre-sale, the remaining balance is payable within one or three months following the time of the execution of the sale and purchase contract. In the case of properties sold after completion, the remaining balance generally is payable within one month following the execution of the sale and purchase contract. We also offer settlement of purchase price by installments, under which purchasers are required to pay at least 40% of the purchase price at the time of the execution of the sale and purchase contract, with the balance to be paid by installments over a period ranging from six months to five years. The purchase price for purchasers who settle by installments is generally higher than those who do not do so and is generally higher for longer installment periods, in order to compensate us for the additional credit risk that we may be exposed to.

In accordance with market practice, we provide guarantees to banks for mortgage loans offered to our customers. Generally, our guarantees are released upon the earlier of the issuance of the individual property ownership certificate (房產所有權證) to the owner of the property or the certificate of other rights of property (房地產他項權證) to the mortgage bank by the relevant housing administration department, which are generally available within three months after we deliver the relevant property to our customers, or the full settlement of the mortgaged loan by our customers. Prior to 2003, we also provided long-term guarantees for the mortgage loan of some of our customers. These long-term guarantees were provided to increase confidence of the mortgage banks

in providing mortgages to our customers in the then less sophisticated PRC property market. These guarantees are discharged two years from the day the mortgaged loans become due.

In line with customary practice in the industry, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgage banks. As of December 31, 2014, 2015, 2016 and June 30, 2017, our outstanding guarantees of the mortgage loans of our customers amounted to RMB49,375.9 million, RMB60,636.2 million, RMB127,502.7 million (US\$18,807.6 million) and RMB219,761.1 million (US\$32,416.5 million), respectively. Historically, we have not experienced material losses due to default of purchases on the mortgages loans. See “Risk factors—Risks relating to our business—We guarantee the mortgages provided to our purchasers and, consequently, we are liable to the mortgagee banks if our purchasers default on their mortgage payments.”

In Malaysia, customers can purchase our properties, including through pre-sales purchases, with mortgage facilities arranged with banks. Unlike in the PRC, we do not provide guarantees to banks for mortgage loans offered to our customers in Malaysia. Instead, we provide letters of undertaking for purchasers agreeing to refund the payments made using mortgage loans if we fail to complete the construction and deliver the properties to the purchasers.

In Australia, customers are required to pay 10% of the purchase price when executing a purchase contract, which can be made by cash, check or bank guarantee, and the remainder upon completion of the construction and delivery of the completed property. If the 10% of the purchase price is made by cash or check, the amount will be deposited into a trust account managed by our lawyers and will only be made available to us upon delivery of the completed property.

In Indonesia, customers can purchase our properties, including through pre-sales purchases, with mortgage facilities arranged with banks. Unlike in the PRC, we do not provide guarantees to banks for mortgage loans offered to our customers in Indonesia. Instead, we provide letters of undertaking for purchasers agreeing to refund the payments made using mortgage loans if we fail to complete the construction and deliver the properties to the purchasers.

Property management

Through our wholly owned property management subsidiary, Guangdong Management Co., we provide post-sales property management and services to the residents of each of the PRC and Malaysian projects we developed. For our project in Australia, we assist the residents in setting up a strata management company. As of June 30, 2017, we had approximately 35,703 staff members working for our 610 property service branches. We aim to continue to provide to purchasers of our properties comprehensive post-sales property management and services, including public security and assistance with the management of public order, maintenance of public facilities, cleaning of public areas, domestic assistance, gardening and landscaping, intra-community shuttle bus operations and other customer services. We believe we have established a market reputation for the quality of these services. For example, Guangdong Management Co. has been certified by the Ministry of Construction as a class-one property management company, the highest level a PRC property management company can achieve.

Typically, our property management contracts set out the scope and the quality requirements of the services provided by our property management companies. We prepare maintenance and renovation plans for the properties and public facilities that we manage. We are not permitted

by law to assign the management duties in their entirety to a third party. However, we can outsource some of the responsibilities, such as cleaning and security services, to independent third parties. The property management contracts also set out the management fee arrangements. We may not increase management fees without the prior consent of a majority of the owners of the properties.

Under PRC law, property owners have a right to engage or dismiss a property management company with the consent of more than half of the owners who in the aggregate hold more than 50% of the total non-communal area of the building. See “Risk factors—Risks relating to our business—Our branding and marketing strategy as well as our financial condition could be adversely affected if owners of the projects that we have developed elect to stop using us to provide property management services” in this offering memorandum. Under Australian law, residents have the right to choose a new strata management company at a later stage.

Hotel development and operation

We develop hotels to compliment our residential properties. Most of these hotels are located in our large-scale residential community projects, which we believe have added value to our residential projects and enhanced our brand recognition. As of June 30, 2017, our hotel operations consist of owning and operating eight five-star hotels, two four-star hotels, 39 hotels which we have developed in accordance with the five-star standard of the “Star-Rating Standard for Tourist Hotels” and four hotels which we have developed in accordance with the four-star standard of the “Star-Rating Standard for Tourist Hotels.” In addition, as of June 30, 2017, we had seven hotels under construction in accordance with the five-star rating standard and two hotel under construction in accordance with the four-star rating standard of the “Star-Rating Standard for Tourist Hotels.” Under PRC laws, hotels cannot apply for star hotel certification until after one year of operations. Generally, we apply for such star hotel certification for our hotels after their first year of operations.

While we believe that the demand for luxury hotels in China will increase as the economy of the region continues to grow and that our hotels and resorts will generate recurrent income for us in the long run, we do not focus on the revenue or profit contributions from our hotel business on a stand-alone basis. Rather, we believe that our hotel business assists in enhancing our brand name recognition in the property market and contributes to our overall marketing and sales strategies for, and the overall value of, our residential projects. Most of our hotels are currently owned and operated by our own hotel companies. We have engaged several international management firms with respect to our Maritim Hotel, Wuhu, Maritim Hotel, Shenyang, Hilton Wuhan Optics Valley and Hilton Foshan. Our Maritim Hotel, Wuhu and Maritim Hotel, Shenyang commenced full operations in December 2010 and July 2011, respectively, and our Hilton Wuhan Optics Valley and Hilton Foshan commenced full operations in January and March 2014, respectively. In return for managing and operating these hotels, we agree to pay our hotel operating management partners a basic management fee based on a percentage of the respective hotel’s net income, and an incentive fee with reference to the respective hotel’s gross operating profit. In addition, we have signed a letter of understanding and management agreement with an international management firm with respect to some of our hotels under development or planning. We may also consider engaging other international management companies to manage our hotels.

The availability of our hotel facilities to the residents of our property projects is usually seen as an attractive feature by potential purchasers of our properties.

Our commitment to building and running hotels in certain localities has received support from local governments, which seek to improve the local investment environment and attract more tourist traffic and business establishments to their jurisdictions.

The table below sets out details of our hotel developments and operations as of June 30, 2017.

Name of Hotel	Location	Actual/*Estimated Opening Date	Number of Rooms	Star-rating ⁽¹⁾
Country Garden Holiday Resorts (順德碧桂園度假村)	Shunde Country Garden, Foshan, Guangdong Province	February 2000	201	Four-Star (in operation)
Phoenix City Hotel, Guangzhou (廣州鳳凰城酒店)	Country Garden Phoenix City, Guangzhou, Guangdong Province	November 2003	573	Five-Star (in operation)
Country Garden Holiday Islands Hotel (碧桂園假日半島酒店)	Qingyuan Holiday Islands Country Garden, Qingyuan, Guangdong Province	December 2004	225	Five-Star (in operation)
Country Garden Phoenix Hotel, Heshan (鶴山碧桂園鳳凰酒店)	Heshan Country Garden, Jiangmen, Guangdong Province	July 2005	282	Five-Star (in operation)
Country Garden Phoenix Hotel, Yangjiang (陽江碧桂園鳳凰酒店)	Yangdong Country Garden, Yangjiang, Guangdong Province	May 2007	342	Five-Star (in operation)

Name of Hotel	Location	Actual/*Estimated Opening Date	Number of Rooms	Star-rating ⁽¹⁾
Country Garden Phoenix Hotel, Taishan (臺山碧桂園鳳凰酒店)	Taishan Country Garden, Jiangmen, Guangdong Province	November 2007	337	Five-Star (in operation)
Country Garden Phoenix Hot Spring Hotel, Xianning (咸寧碧桂園鳳凰溫泉酒店)	Country Garden—Hot Spring City, Xianning, Hubei Province	November 2009	328	Five-Star (in operation)
Country Garden Phoenix Hotel, Gaoming (高明碧桂園鳳凰酒店)	Gaoming Country Garden, Foshan, Guangdong Province	November 2009	336	Five-Star (in operation)
Country Garden Phoenix Hotel, Changshou, Chongqing (重慶長壽碧桂園鳳凰酒店)	Changshou Country Garden, Changshou, Chongqing Municipality	September 2010	335	Five-Star (in operation)
Country Garden Phoenix Hotel, Jingmen (荊門碧桂園鳳凰酒店)	Jingmen Country Garden, Jingmen, Hubei Province	October 2010	138	Four-Star (in operation)
Country Garden Phoenix Hotel, Wuyi (五邑碧桂園鳳凰酒店)	Wuyi Country Garden, Jiangmen, Guangdong Province	December 2005	95	According to five-star rating standard (in operation)

Name of Hotel	Location	Actual/*Estimated Opening Date	Number of Rooms	Star-rating ⁽¹⁾
Country Garden Phoenix Hotel, Changsha (長沙碧桂園鳳凰酒店)	Changsha Country Garden, Changsha, Hunan Province	October 2007	343	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Zhaoqing (肇慶碧桂園鳳凰酒店)	Zhaoqing Country Garden, Zhaoqing, Guangdong Province	February 2009	285	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Xinhui (新會碧桂園鳳凰酒店)	Xinhui Country Garden, Jiangmen, Guangdong Province	March 2009	374	According to five-star rating standard (in operation)
Maritim Hotel, Wuhu (蕪湖碧桂園瑪麗蒂姆酒店)	Wuhu Country Garden, Wuhu, Anhui Province	December 2010	602	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Wuhan (武漢碧桂園鳳凰酒店)	Wuhan Country Garden, Wuhan, Hubei Province	January 2011	331	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Binhu City (濱湖城碧桂園鳳凰酒店)	Country Garden Lakeside City, Hefei, Anhui Province	January 2011	336	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Huangshan (黃山碧桂園鳳凰酒店)	Huangshan Country Garden, Huangshan, Anhui Province	March 2011	378	According to five-star rating standard (in operation)

Name of Hotel	Location	Actual/*Estimated Opening Date	Number of Rooms	Star-rating ⁽¹⁾
Country Garden Holiday Hotel, Shenyang (瀋陽碧桂園假日酒店)	Shenyang Country Garden, Shenyang, Liaoning Province	May 2011	50	According to five-star rating standard (in operation)
Maritim Hotel, Shenyang (瀋陽碧桂園瑪麗蒂姆酒店)	Country Garden—Galaxy Palace, Shenyang, Liaoning Province	July 2011	631	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Tianjin (天津碧桂園鳳凰酒店)	Tianjin Country Garden, Balitai, Tianjin Municipality	August 2011	249	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel Shaoguan (韶關碧桂園鳳凰酒店)	Shaoguan Country Garden, Shaoguan, Guangdong Province	August 2011	335	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Suizhou (隨州碧桂園鳳凰酒店)	Suizhou Country Garden, Suizhou, Hubei Province	October 2011	378	According to five-star rating standard (in operation)
Country Garden Hill Lake Phoenix Hotel (碧桂園如山湖鳳凰酒店)	Country Garden—Hill Lake City, Maanshan, Anhui Province	November 2011	454	According to five-star rating standard (in operation)

Name of Hotel	Location	Actual/*Estimated Opening Date	Number of Rooms	Star-rating ⁽¹⁾
Country Garden Phoenix Hotel, Lechang (樂昌碧桂園鳳凰酒店)	Lechang Country Garden, Shaoguan, Guangdong Province	November 2011	129	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Ningxiang (寧鄉碧桂園鳳凰酒店)	Country Garden—Hill Lake Palace, Changsha, Hunan Province	December 2011	129	According to five-star rating standard (in operation)
Country Garden Europe City Phoenix Hotel (碧桂園歐洲城鳳凰酒店)	Country Garden—Europe City, Chuzhou, Anhui Province	December 2011	333	According to five-star rating standard (in operation)
Country Garden Holiday Hot Spring Hotel, Fogang (佛岡碧桂園假日溫泉酒店)	Country Garden Spring City, Qingyuan, Guangdong Province	April 2012	11	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Chizhou (池州碧桂園鳳凰酒店)	Chizhou Country Garden, Chizhou, Anhui Province	June 2012	338	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Tongliao (通遼碧桂園鳳凰酒店)	Tongliao Country Garden, Tongliao, Inner Mongolia	July 2012	321	According to five-star rating standard (in operation)

Name of Hotel	Location	Actual/*Estimated Opening Date	Number of Rooms	Star-rating ⁽¹⁾
Country Garden Phoenix Hot Spring Hotel, Taizhou (泰州碧桂園鳳凰溫泉酒店)	Taizhou Country Garden, Taizhou, Jiangsu Province	July 2012	331	According to five-star rating standard (in operation)
Country Garden Phoenix City Hotel (碧桂園鳳凰城酒店)	Country Garden— Phoenix City, Zhenjiang, Jiangsu Province	September 2012	334	According to five-star rating standard (in operation)
Country Garden Silver Beach Hotel (碧桂園十里銀灘酒店)	Country Garden—Ten Miles Beach, Huizhou, Guangdong Province	October 2012	336	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Chaohu (巢湖碧桂園鳳凰酒店)	Chaohu Country Garden, Hefei, Anhui Province	November 2012	336	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Anqing (安慶碧桂園鳳凰酒店)	Anqing Country Garden, Anqing, Anhui Province	December 2012	336	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Huiyang (惠陽碧桂園鳳凰酒店)	Huiyang Country Garden, Huizhou, Guangdong Province	December 2012	118	According to five-star rating standard (in operation)

Name of Hotel	Location	Actual/*Estimated Opening Date	Number of Rooms	Star-rating ⁽¹⁾
Country Garden Phoenix Hotel, Yunfu (雲浮碧桂園鳳凰酒店)	Yunfu Country Garden, Yunfu, Guangdong Province	March 2013	129	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Xing'anmeng (興安盟碧桂園鳳凰酒店)	Xing'anmeng Country Garden, Xing'anmeng, Inner Mongolia	July 2013	134	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Haicheng (海城碧桂園鳳凰酒店)	Haicheng Country Garden, Anshan, Liaoning Province	December 2013	134	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Maoming (茂名碧桂園鳳凰酒店)	Country Garden City Garden, Maoming, Guangdong Province	January 2014	199	According to five-star rating standard (in operation)
Country Garden Golden Beach Hotel, Hainan (海南碧桂園金沙灘酒店)	Country Garden—Golden Beach, Lin'gao, Hainan Province	April 2014	84	According to five-star rating standard (in operation)
Hilton Foshan (佛山希爾頓酒店)	Country Garden City Garden, Foshan, Guangdong Province	July 2014	600	According to five-star rating standard (in operation)

Name of Hotel	Location	Actual/*Estimated Opening Date	Number of Rooms	Star-rating ⁽¹⁾
Country Garden Spring Town Holiday Hotel, Hainan (碧桂園海南小城之春假日酒店)	Country Garden Spring Town, Lin'gao, Hainan Province	July 2014	113	According to four-star rating standard (in operation)
Country Garden Holiday Hotel, Meizhou (梅州碧桂園假日酒店)	Shejiang Country Garden, Meizhou, Guangdong Province	October 2014	50	According to four-star rating standard (in operation)
Country Garden Sun Palace Phoenix Hotel (碧桂園太陽城鳳凰酒店)	Shaoguan Country Garden—Sun Palace, Shaoguan, Guangdong Province	February 2015	138	According to five-star rating standard (in operation)
Country Garden Jade Bay Phoenix Hotel (碧桂園翡翠灣鳳凰酒店)	Country Garden—Jade Bay, Jiangmen, Guangdong Province	October 2015	284	According to five-star rating standard (in operation)
Country Garden Gold Beach Hotel (碧桂園十里金灘酒店)	Country Garden—Ten Miles Golden Beach, Yantai, Shandong Province	October 2015	336	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Beiliu (北流碧桂園鳳凰酒店)	Beiliu Country Garden, Yulin, Guangxi Zhuang Autonomous Region	October 2015	210	According to five-star rating standard (in operation)

Name of Hotel	Location	Actual/*Estimated Opening Date	Number of Rooms	Star-rating ⁽¹⁾
Country Garden Phoenix Hotel, Shenyang (瀋陽碧桂園鳳凰酒店)	Country Garden—Phoenix City, Shenyang, Liaoning Province	November 2015	134	According to five-star rating standard (in operation)
Country Garden Holiday Hotel, Guiyang (貴陽碧桂園假日酒店)	Huaxi Country Garden, Guiyang, Guizhou Province	November 2015	82	According to four-star rating standard (in operation)
Country Garden Phoenix Hotel, Longjiang (龍江碧桂園鳳凰酒店)	Country Garden Grand Palace, Foshan, Guangdong Province	November 2015	193	According to five-star rating standard (in operation)
Country Garden Phoenix Hotel, Yangshan (陽山碧桂園鳳凰酒店)	Yangshan Country Garden, Qingyuan, Guangdong Province	October 2016	138	According to five-star rating standard (in operation)
Country Garden Meilang Bay Phoenix Hotel (碧桂園美浪灣鳳凰酒店)	Country Garden Meilang Bay, Chengmai, Hainan	January 2017	105	According to four-star rating standard (in operation)
Hilton Wuhan Optics Valley ⁽²⁾ (武漢光谷希爾頓酒店)	Country Garden—Eco City, Wuhan, Hubei Province	*2017	510	According to five-star rating standard (under construction)

Name of Hotel	Location	Actual/*Estimated Opening Date	Number of Rooms	Star-rating ⁽¹⁾
Country Garden Phoenix Hotel, Zhangjiajie ⁽³⁾ (張家界碧桂園鳳凰酒店)	Zhangjiajie Country Garden, Zhangjiajie, Hunan province	*2017	1,047	According to five-star rating standard (under construction)
Country Garden Forest City Phoenix Hotel ⁽⁴⁾ (碧桂園森林城市鳳凰酒店)	Country Garden Forest City, Johor, Malaysia	*2017	283	According to five-star rating standard (under construction)
Country Garden Runyang Valley Hot Spring Hotel ⁽⁵⁾ (碧桂園潤揚溪谷溫泉酒店)	Country Garden Runyang Valley, Huizhou, Guangdong Province	*2017	199	According to five-star rating standard (under construction)
Country Garden Phoenix Hotel, Quzhou (衢州碧桂園鳳凰酒店)	Quzhou Country Garden, Quzhou, Zhejiang Province	*2017	254	According to five-star rating standard (under construction)
Country Garden Phoenix Hotel, Jianghai (江海碧桂園鳳凰酒店)	Jianghai Country Garden, Jiangmen, Guangdong Province	*2017	195	According to four-star rating standard (under construction)
Heshan Gonghe Hotel (鶴山共和酒店)	Country Garden—Forest Lake, Jiangmen, Guangdong Province	*2017	161	According to four-star rating standard (under construction)

Name of Hotel	Location	Actual/*Estimated Opening Date	Number of Rooms	Star-rating ⁽¹⁾
Hilton Tianjin Binhai (天津濱海希爾頓酒店)	Independent Hotel, Tanggu, Tianjin Municipality	*2018	1,238	According to five-star rating standard (under construction)
Country Garden Phoenix Hotel, Yiyang (益陽碧桂園鳳凰酒店)	Yiyang Country Garden, Yiyang, Hunan Province	*2018	251	According to five-star rating standard (under construction)

Notes:

- (1) Hotels are only allowed to apply for star hotel certification after one year of operation.
- (2) Hilton Wuhan Optics Valley commenced partial trial operation on December 31, 2013.
- (3) Country Garden Phoenix Hotel, Zhangjiajie commenced partial trial operation on October 16, 2015.
- (4) Country Garden Forest City Phoenix Hotel commenced partial trial operation on December 6, 2016.
- (5) Country Garden Runyang Valley Hot Spring Hotel commenced partial trial operation on May 28, 2016.

Investment property

To further tap the value of our commercial properties, in late 2013, we set up Guangzhou Country Garden Commercial Management Co., Ltd, our wholly owned subsidiary, which is responsible for the strategic planning and management of our large-size commercial properties as well as community commercial properties. As of June 30, 2017, our investment property GFA is approximately 1,124,606 sq.m., with a fair value of approximately RMB9,674.9 million (US\$1,427.1 million). GFA under development is approximately 212,695 sq.m., with a fair value of approximately RMB1,328.1 million (US\$195.9 million). The top ten investment properties are as follows.

Project	City (District)	GFA of investment properties (sq.m.)	Completed properties			Property under development	
			community stores (sq.m.)	Large commercial centers (sq.m.)	Apartments (sq.m.)	community stores (sq.m.)	Large commercial centers (sq.m.)
Country Garden—Phoenix City (碧桂園•鳳凰城)	Zhenjiang (Jurong)	157,943	2,365	155,578			
Country Garden—Galaxy Palace (碧桂園•銀河城)	Shenyang (Yuhong)	99,483	15,916	76,724		6,843	
Shunde Country Garden—including Country Garden West Court (順德碧桂園(含碧桂園西苑))	Foshan (Shunde)	84,206	50,604			33,602	
Country Garden Center One (碧桂園壹中心)	Tianjin (Wuqing)	78,825				78,825	
Zhaoqing Lanling Residence (肇慶藍領公寓)	Zhaoqing (Gaoxin)	58,136			58,136		
Xinhui Country Garden (新會碧桂園)	Jiangmen (Xinhui)	42,151	42,151				
Taizhou Country Garden (泰州碧桂園)	Taizhou (Hailing)	36,043	36,043				
Shaoguan Country Garden (韶關碧桂園)	Shaoguan (Zhenjiang)	35,115	35,115				
Heshan Country Garden (鶴山碧桂園)	Jiangmen (Heshan)	34,360	34,360				
Country Garden—Grand Mansion (碧桂園•華府)	Foshan (Nanhai)	32,771	11,721			21,050	

Asian Games City Project

On December 22, 2009, we and two other major property developers in the PRC, Agile and R&F through our and their respective subsidiaries, signed a land grant contract with the PRC government to acquire the Asian Games City Project. The Asian Games City Project is located in the Panyu District of Guangzhou City. The project occupies a site area of approximately 2,639,520 sq.m. and is to be developed as part of the Asian Games City for offering residential and commercial properties with a total planned GFA of approximately 4,380,000 sq.m. The Asian Games City Project is being developed by the Asian Games City JV, in which we hold a minority equity interest. Part of the Asian Games City Project has been constructed or is under construction and the Asian Games City JV is in the process of applying for necessary government approvals for the development of the remaining properties of this project. We believe that our

participation, alongside other major property developers, in this landmark project will enhance our position in the PRC property market and bolster our market share and position in Guangzhou City and Guangdong Province. We believe that the successful completion of the Asian Games City Project will reinforce our status as one of the leading property developers in the PRC.

Prior to June 24, 2010, we, Agile and R&F each held a 33%, 33% and 34% equity interest, respectively, in the Asian Games City JV and the corresponding payment obligations under the land grant contract. On June 24, 2010, we, Agile, Shima, R&F and Citic South entered into certain agreements relating to the transfer of equity interests in the Asian Games City JV (the "Asian Games Equity Transfer Transactions"). As a result of the Asian Games Equity Transfer Transactions, we and our four joint venture partners each now hold a 20% equity interest, respectively, in the Asian Games City JV. As of December 31, 2016, our equity contribution to the Asian Games City JV totaled approximately HK\$150.0 million (US\$22.1 million). The cost for the acquisition of the land use rights and development of the Asian Games City Project is shared equally among us and our four joint venture partners. The total land premium for acquiring the land use rights for this project is RMB25.5 billion which has been paid as of the date of this offering memorandum.

To finance the Asian Games City Project, the Asian Games City JV has entered into loan facilities and trust financing arrangements under which we and our four joint venture partners provided guarantees. As of June 30, 2017, our guarantees for the Asian Games City JV for its borrowings amounted to RMB496.0 million (US\$73.2 million).

Competition

The property industry in the PRC is highly competitive. Competitive factors include the size of land reserves and the geographical location, the types of properties offered, brand recognition, price, and design product qualities. Our existing and potential competitors include major domestic state-owned and private property developers in the PRC, and, to a lesser extent, property developers from Hong Kong and elsewhere in Asia. A number of our competitors have greater financial, marketing, land and other resources than we have, as well as greater economies of scale, broader name recognition, a longer track record and more established relationships in certain markets. An example of our principal competitors include China Vanke Co., Ltd. (萬科企業股份有限公司), because they have a presence in the regions in which we operate. For more information on competition, please refer to the section headed "Risk factors—Risks relating to our business—Increasing competition in the PRC may adversely affect our business, financial condition and results of operations."

Intellectual property rights

Foshan Shunde Country Garden Property Development Co., Ltd. has registered the trademarks and service marks of "碧桂園" in the form of Chinese characters, as well as in the form of logos, with the PRC Trademark Office (中華人民共和國商標局) under various categories including construction, realty leasing, realty management and realty agency. Foshan Shunde Country Garden Property Development Co., Ltd has also registered the trademarks and service marks of "COUNTRY GARDEN" in the form of English characters with the PRC Trademark Office under various categories including advertisement, business management and human resource management.

Zhongshan Country Garden Real Estate Development Co., Ltd. has registered the trademarks and service marks of “秀麗湖” in the form of Chinese characters with the PRC Trademark Office under various categories including realty leasing, realty agency and advertisement.

On March 27, 2007, Foshan Shunde Country Garden Property Development Co., Ltd entered into a trademark license agreement with each of Qingyuan Country Garden Property Development Co., Ltd. (“Qingyuan Country Garden Co.”) Jun’an Golf Club Co. and our original shareholders to grant them a non-exclusive right to use the “碧桂園” and certain other trademarks and service marks in respect of their businesses which, apart from Qingyuan Country Garden Co.’s business, are services ancillary to the housing properties constructed by us. Qingyuan Country Garden Co. has also granted Holiday Islands Hotel Co., our wholly owned subsidiary, a non-exclusive right to use the trademarks and service marks of “假日半島 Holiday Islands” (with respect to which Qingyuan Country Garden Co. has applied to register as a trademark in the PRC) in its business operation pursuant to a trademark license agreement entered into between Qingyuan Country Garden and Holiday Islands Hotel Co. on March 27, 2007.

We also own the domain names “bgy.cn,” “bgy.com.cn,” “countrygarden.cn” and “countrygarden.com.cn.” The information contained on our websites is not part of this offering memorandum.

Insurance

We maintain public liability and assets insurance policies for our properties, the common facilities and the hotel operating areas of our properties. In addition, we carry social insurance for our employees, and our property management subsidiaries also maintain property management liability insurance coverage in connection with their business operations. We do not, however, maintain insurance coverage for non-performance of contract during construction and other risks associated with construction and installation works during the construction period. Consistent with what we believe to be customary practice in the property development industry in China, we also do not maintain insurance against personal injuries or property damage that may occur during the construction of our properties, except that we carry accidental insurance (i.e., employer’s liability insurance) against personal injuries that may occur to construction workers.

To help ensure construction quality and safety, we have a set of standards and specifications for the construction workers to follow during the construction process. We engage qualified supervision companies to oversee the construction process. Under PRC law, the owner or manager of properties under construction bears civil liability for personal injuries arising out of construction work unless the owner or manager can prove that it is not at fault. Since we have taken the above steps to prevent construction accidents and personal injuries, we believe that we will generally be able to demonstrate that we were not at fault as the property owner if a personal injury claim is brought against us.

We believe the terms of our insurance policies are in line with industry practice in the PRC. However, our insurance coverage may not be sufficient for losses and damages that may arise in our business operations. See “Risk factors—Risks relating to our business—We do not have insurance to cover potential losses and claims in our operations” and “Regulation.”

Employees

As of June 30, 2017, we had approximately 107,607 full-time employees, respectively. The following table provides a breakdown of our employees by responsibilities as of June 30, 2017:

Property development (headquarters) ⁽¹⁾	2,646
Property development (regional) ⁽²⁾	21,652
Marketing and sales	22,385
Property management	39,054
Hotel	7,563
Construction, fitting and decoration management	7,292
Others	<u>7,015</u>
	107,607

Notes:

(1) Includes employees from cost management, procurement, strategy management, legal and compliance, finance management, engineering management, investment management, human resources management, operations, customer services, inspection and logistic personnel departments.

(2) Includes employees from our property development subsidiaries in different regions in China, in Malaysia, in Indonesia and in Australia where our operations are located.

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

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

Environmental matters

We are subject to a variety of laws and regulations concerning environmental protection. See "Risk factors—Risks relating to our business—Potential liability for environmental problems could result in substantial costs." As of the date of this offering memorandum, we are not in material breach of any applicable environmental laws and regulations which has led to penalties imposed by the environmental authorities and there are no existing material legal proceedings, arbitrations or administrative penalties against us.

Legal proceedings

From time to time, we have been involved in legal proceedings or other disputes in the ordinary course of our business which are primarily disputes with our customers, contractors and employees, and we have not incurred significant legal costs and expenses in connection with these legal proceedings. We are not aware of any material legal proceedings, claims or disputes

currently existing or pending against us that may have a material adverse impact on our business or our results of operations. See “Risk factors—Risks relating to our business—We may be involved in legal, administrative and other disputes arising out of our operations or subject to fines and sanctions in relation to our non-compliance with certain PRC laws and regulations from time to time and may face significant liabilities or damage our reputation as a result.”

Regulation

Legal supervision relating to property sector in the PRC

A. Establishment of a property development enterprise

Pursuant to the “Law of the People’s Republic of China on Administration of Urban Real Estate” (the “Urban Real Estate Law”) (中華人民共和國城市房地產管理法) enacted by the Standing Committee of the National People’s Congress on July 5, 1994, effective in January 1995 and as amended on August 2007 and in August 2009, a property developer is defined as “an enterprise which engages in the development and sale of property for the purposes of making profits.” Under the “Regulations on Administration of Development of Urban Real Estate” (the “Development Regulations”) (城市房地產開發經營管理條例) which was promulgated by the State Council and became effective on July 20, 1998 and as amended on January 8, 2011, a property development enterprise must satisfy the following requirements: (1) having a registered capital of not less than RMB1 million and (2) having four or more full-time professional property/construction technicians and two or more full-time accounting officers with the relevant qualifications. The Development Regulations also stipulate that people’s governments of the provinces, autonomous regions or municipalities directly under the central government may impose more stringent requirements regarding the registered capital and qualifications of professional personnel of a property development enterprise according to the local circumstances.

Pursuant to the Development Regulations, applications for registration of a property development enterprise have to be submitted to the department of administration of industry and commerce. The applicant must file a record with the property development authority in the location of the registration authority within 30 days of the receipt of its business license.

In May 2009, the State Council issued a “Notice on Adjusting the Percentage of Capital Fund for Investment Projects in Fixed Assets” (關於調整固定資產投資項目資本金比例的通知). The minimum internal capital ratio is 20% for ordinary commodity housing projects and affordable housing projects and 30% for other property projects.

In September 2015, the State Council issued a “Notice to Adjust and Promote the System of Capital Fund for Investment Projects in Fixed Assets” (關於調整和完善固定資產投資項目資本金制度的通知), under which the minimum capital ratio remains 20% for affordable housing projects and ordinary commodity residential projects, and is decreased to 25% for other property projects.

B. Foreign-invested real estate enterprises

Foreign-invested real estate enterprises can be established in the form of sino-foreign equity joint venture, sino-foreign co-operative joint venture or wholly owned foreign enterprise according to the laws and administrative regulations relating to foreign-invested enterprises.

Under the Catalog of Guidance on Industries for Foreign Investment (2015 version) (the “Guidance Catalog”) (外商投資產業指導目錄) (2015年修訂) which was jointly promulgated by MOFCOM and NDRC on March 10, 2015 and became effective on April 10, 2015, the construction of golf course and villas falls within the category of industries in which foreign investment is prohibited, construction and operation of large theme parks falls within the restricted category, and other real estate development falls within the category of industries in which foreign investment is permitted. On June 28, 2017, MOFCOM and NDRC jointly issued the revised Guidance Catalog effective from July 28, 2017, according to which, foreign investment is permitted in the real estate development industry.

On July 11, 2006, the Ministry of Construction, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly enacted the "Circular on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market", or "Circular No. 171" (關於規範房地產市場外資准入和管理的意見). According to this circular, foreign investment in property markets must comply with the following requirements:

(a) Foreign institutions or individuals purchasing property in China not for their own residential use shall follow the principle of commercial existence and apply for establishment of foreign-invested enterprises under the regulations of foreign investment in property. Foreign institutions and individuals can only carry on their business, pursuant to the approved business scope, after obtaining the approvals from relevant authorities and upon completion of the relevant registrations.

(b) If the total investment of a foreign-invested real estate development enterprise exceeds or equals US\$10 million, the registered capital must not be less than 50% of the total investment. If the total investment is less than US\$10 million, the amount of the registered capital shall follow the existing regulations.

(c) The commerce authorities and the department of administration of industry and commerce are in charge of granting approval for establishment and effecting registration of foreign-invested real estate enterprises and issuing approval certificates for foreign-invested enterprises and business licenses which are only effective for one year. After paying for the land use rights, the enterprises should apply for the land use rights certificate by presenting the above-mentioned approval certificates and business licenses. With the land use rights certificate, the enterprises will receive an official approval certificate for a foreign-invested enterprise from the commerce authorities, and shall replace the business license with one that has the same operational term as the formal approval certificate for foreign-invested enterprise in the department of administration of industry and commerce, and then apply for tax registration with the tax authorities.

(d) Transfers of projects or shares in foreign-invested real estate enterprises, and the acquisitions of domestic real estate enterprises by foreign investors should strictly follow the relevant laws, regulations and policies to obtain approvals. Foreign investors should submit: (i) the guarantee letters for the performance of the State-Owned Land Use Rights Grant Contracts, Construction Land Planning Permit and Construction Work Planning Permit; (ii) Certificate of Land Use Rights; (iii) the certification on alteration of archival files issued by construction authorities; and (iv) the certification on the payment of tax issued by the relevant tax authorities.

(e) When acquiring domestic real estate enterprises by way of share transfer or otherwise, or purchasing shares from Chinese parties in sino-foreign equity joint ventures, foreign investors should make proper arrangements for the employees, settle the bank loans and pay the consideration in one single payment with its internal fund. Foreign investors with unsound financial track records shall not be allowed to conduct any of the aforementioned activities.

On May 23, 2007, MOFCOM and SAFE jointly issued the "Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC,"

(關於進一步加強、規範外商直接投資房地產業審批和監管的通知) which stipulates the following requirements for the approval and supervision of foreign investment in the property sector:

- foreign investment in the PRC property sector relating to luxury properties should be strictly controlled;
- before obtaining approval for the establishment of property entities with foreign investment, (i) both the land use rights certificates and housing ownership rights certificates should have been obtained or, (ii) contracts for obtaining land use rights or housing ownership rights should be entered into;
- entities which have been set up with foreign investment, need to obtain approval before they expand their business operations into property development, and entities which have been set up for property development operations need to obtain new approval in order to expand their property business operations;
- acquisitions of property entities and foreign investment in the property sector by way of “round-trip” investment (返程投資) should be strictly regulated. Foreign-investors should not avoid approval procedures by changing actual controlling persons;
- parties to property entities with foreign investment, should not in any way guarantee a fixed investment return;
- registration shall be immediately effected according to applicable laws with MOFCOM regarding the setup of property entities with foreign-investment, approved by local PRC governmental authorities;
- foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effectuate foreign exchange settlements regarding capital account items to those who fail to file with MOFCOM or fail to pass the annual reviews; and
- for those property entities which are wrongfully approved by local authorities for their setups, (i) MOFCOM should carry out investigations and order punishment and corrections, and (ii) foreign exchange administrative authorities should not carry out foreign exchange registrations for them.

On July 10, 2007, the General Affairs Department of SAFE issued the “Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment That Have Properly Registered with MOFCOM” (關於下發第一批通過商務部備案的外商投資房地產專案名單的通知) (“Notice No. 130”). This regulation restricts the ability of foreign-invested property companies to raise funds offshore for the purposes of injecting such funds into the companies either through a capital increase or by way of shareholder loans. Notice No. 130 was repealed in May 2013, but its restrictions have been stipulated by several other regulations as follows:

- SAFE will no longer process foreign debt registrations or applications for purchase of foreign exchange, submitted by real estate enterprises with foreign investment that obtained authorization certificates from and registered with MOFCOM on or after June 1, 2007; and
- SAFE will no longer process foreign exchange registrations (or change of such registrations) or applications for sale and purchase of foreign exchange submitted by real

estate enterprises with foreign investment that obtained approval certificates from local government commerce departments on or after June 1, 2007 but that have not registered with MOFCOM.

In June 2008, to strengthen regulation of real estate enterprises with foreign investment, MOFCOM issued the “Notice Regarding Completing the Registration of Foreign Investment in the Real Estate Sector” (關於做好外商投資房地產業備案工作的通知) (“Notice No. 23”). According to Notice No. 23, when a foreign-invested real estate enterprise is established or increases its registered capital, the provincial level MOFCOM is required to verify all records regarding such foreign-invested real estate enterprise. Notice No. 23 also requires that each foreign-invested real estate enterprise undertake only one approved property project.

Under the “Measures for the Administration of the Approval and Record Filing of Foreign Investment Projects” (外商投資項目核准和備案管理辦法) promulgated by NDRC on May 17, 2014 and enforced on June 17, 2014, and revised and enforced on December 27, 2014, NDRC is responsible for the approval of encouraged projects with a total investment (including capital increase) of US\$1,000 million and above, which are projects required to be controlled by a Chinese shareholder under the Guidance Catalog, and restricted projects (excluding real estate projects) with a total investment (including capital increase) of US\$100 million and above. Projects with a total investment (including capital increase) of US\$2,000 million and above shall be filed with the State Council. Provincial governments are responsible for the approval of real estate projects within the restricted category under the Guidance Catalog and other restricted projects with a total investment (including capital increase) of not more than US\$100 million. Local government is responsible for the approval of encouraged projects with a total investment (including capital increase) of not more than US\$1,000 million, which is required to be controlled (including relatively controlled) by a Chinese shareholder under the Guidance Catalog. On January 14, 2017, NDRC issued the “Circular on Effectively Implementing Foreign Capital-related Work in the Catalog of Investment Projects Subject to Governmental Approval (2016 Version)” (關於做好貫徹落實《政府核准的投資項目目錄（2016年本）》有關外資工作的通知), according to which, 1) any project of the restricted category with a total investment (including capital increase) for US\$300 million or above as included in the Guidance Catalog shall be approved by NDRC, and any project with a total investment (including capital increase) for US\$2 billion and above shall be submitted to the State Council for filing, 2) any project of the restricted category with a total investment (including capital increase) for less than US\$300 million as included in the Guidance Catalog shall be approved by the provincial government, and 3) the foreign investment projects beyond the scope of projects subject to approval and not in the prohibited category as provided in the Guidance Catalog shall be presented to local development and reform commissions for filing.

On March 30, 2015, SAFE issued the “Notice on the Reform of the Administration of Foreign Exchange Registered Capital Settlement for Foreign-Invested Enterprises” (國家外匯管理局關於改革外商投資企業外匯資金結匯管理方式的通知) effective from June 1, 2015, under which a reform on the administration of foreign exchange capital settlement for foreign-invested enterprises is carried out in China and foreign-invested enterprises may make equity investments within China by utilizing the RMB funds converted from their foreign exchange registered capital. Besides the remittance of equity transfer payments in the original foreign currency, foreign-invested enterprises mainly engaged in investment activities (including foreign investment companies, foreign-invested venture capital enterprises and foreign-invested equity investment enterprises) are permitted to directly convert foreign capital funds into RMB funds or

transfer the RMB funds converted from the foreign capital account to the bank account of the investee enterprise based on the actual investment scale on the premise that the domestic investment projects are authentic and in compliance. Equity investments within China remitted through equity transfer payments in the original foreign currency by general foreign-invested enterprises other than the above enterprises shall be governed by the current domestic reinvestment laws and regulations. If such foreign-invested enterprises make equity investments in China by using converted RMB funds, the investee enterprise shall first register this domestic reinvestment activity with the administration of the foreign exchange (bank) of its place of incorporation and open a corresponding RMB account for depositing the converted RMB funds. The foreign-invested enterprises shall then transfer the converted RMB funds into the RMB account of the investee enterprise based on the actual investment scale. If the investee enterprise continues to make equity investments in China, the above principles shall apply. On June 9, 2016, SAFE issued the “Notice to Reform and Regulate the Administration Policies of Foreign Exchange Capital Settlement” (關於改革和規範資本項目結匯管理政策的通知) to further reform foreign exchange capital settlement nationwide.

On April 6, 2010, the State Council issued the “Opinions on Further Enhancing the Utilization of Foreign Investment” (關於進一步做好利用外資工作的若干意見), which provides that, except for the projects required to be approved by relevant departments of the State Council pursuant to the “Catalog of Investment Projects Subject to Government Approvals” (政府核准的投資項目目錄), a project within the encouraged or permitted industry categories under the Guidance Catalog may be approved by local government authorities, provided that the total investment (including additional invested capital) for such project is no more than US\$300 million.

On May 4, 2010, NDRC issued the “Circular on Doing a Good Job in Delegating the Power to Verify Foreign-invested Projects” (關於做好外商投資項目下放核准權限工作的通知), specifying that the power to verify foreign invested projects shall be delegated and project verification procedures shall be simplified. The circular provides that, except for the projects that are required to be verified by relevant departments of the State Council in accordance with the Catalog of Investment Projects Subject to Government Approvals, the foreign invested projects which are within the encouraged or permitted industry categories under the Guideline Catalog shall be verified by NDRC at the provincial level, provided that such projects have a total investment (including additional invested capital) of no more than US\$300 million. In addition, the circular specifies that, after the power to verify is delegated, project application and verification documents and verification conditions and procedures shall still be determined in accordance with the Tentative Administrative Measures for Verification of Foreign-invested Projects. According to the circular, the power to verify the projects within the restricted category under the Guideline Catalog is not delegated for the time being.

On June 10, 2010, MOFCOM released the “Circular on Issues Concerning Delegating the Examination and Approval Authority for the Foreign Investment” (商務部關於下放外商投資審批權限有關問題的通知). Under the circular, local authorities are granted the power to examine, approve and administrate the establishment and replacement of (i) foreign-invested enterprises which are within the encouraged and permitted categories under the Guidance Catalog and have a total investment of no more than US\$300 million, and (ii) foreign-invested enterprises which are within the restricted category under the Guidance Catalog and have a total investment of no more than US\$50 million.

On September 3, 2016, the National People’s Congress Standing Committee (NPCSC) adopted a decision on amending the law of foreign invested companies which became effective from

October 1, 2016. Upon the effectiveness of the decision, the establishment of the foreign invested enterprise and its subsequent changes will be required to be filed with the relevant authorities instead of obtaining approvals from relevant commerce authorities as required by the existing PRC laws, except for the foreign invested enterprises which are subject to the special administrative measures regarding foreign investment entry. On September 30, 2016, the State Administration for Industry & Commerce issued a circular on relevant issues of the registration of foreign invested enterprises to implement the decision of NPCSC. On October 8, 2016, NDRC and MOFCOM jointly issued a notice according to which the industries falling within the categories in which foreign investment is prohibited or restricted and those falling within the encouraged category subject to relevant requirements of equity or senior management under the Guidance Catalog, will be subject to the special administrative measures for foreign investment entry. On the same day, MOFCOM promulgated the "Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises" (外商投資企業設立及變更備案管理暫行辦法). On July 30, 2017 MOFCOM issued the revised Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises.

In November 2010, MOFCOM promulgated the "Notice on Strengthening Administration of the Approval and Registration of Foreign Investment into Real Estate Industry" (關於加強外商投資房地產業審批備案管理的通知), which reiterated a number of these limitations on foreign-invested real estate enterprises. On June 24, 2014, the MOFCOM and the SAFE jointly issued the Notice on Improving the Registration of Foreign Investment in Real Estate (關於改進外商投資房地產備案工作的通知), effective from August 1, 2014, to simplify the procedures of registration of foreign investment in real estate. On November 11, 2015, MOFCOM and SAFE jointly issued the "Circular on Further Improving the Record-filing for Foreign Investment in Real Estate" (關於進一步改進外商投資房地產備案工作的通知). According to this circular, the record-filing procedure has been cancelled.

C. Qualifications of a property developer

(a) Classifications and assessment of a real estate development enterprise's qualification

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 in March 2000 and amended in May 2015, a property developer is required to apply for registration of its qualifications according to the Provisions on Administration of Qualifications. An enterprise cannot engage in the development and sale of property without a qualification classification certificate for property development.

In accordance with the Provisions on Administration of Qualifications, property developers are classified into four classes. Developers with class 1 qualification are subject to preliminary examination and approval by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government and then final approval by the construction authority under the State Council. Procedures for approval of developers with class 2 or lower qualification shall be formulated by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government. A developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. After a newly established property developer reports its establishment to the property development authority, the latter shall issue a provisional qualification certificate to the eligible developer within 30 days of receipt of the report. The provisional qualification certificate shall be

effective for one year from the date of its issuance. The property development authority can extend the validity period for not more than two years after considering the actual business condition of the enterprise. Property developers are required to apply for a qualification classification by the property development authority within one month before the expiry of the provisional qualification certificate.

(b) The business scope of a property developer

Under the Provisions on Administration of Qualifications, a developer of any qualification classification may only engage in the development and sale of property within its approved scope of business and may not engage in business which is limited to another classification. A class 1 property developer is not restricted as to the scale of a property project to be developed and may undertake a property development project anywhere in the country. A class 2 property developer or lower may undertake a project with a GFA of less than 250,000 sq.m. and its specific scope of business shall be as approved by the construction authority under the government of the relevant province, autonomous region or municipality.

(c) The annual inspection of a property developer's qualification

Pursuant to the Provisions on Administration of Qualifications, the qualification of a property developer is required to be inspected annually. The construction authority under the State Council or its authorized institution is responsible for the annual inspection of a class 1 property developer's qualification. Procedures for annual inspection of developers of a class 2 or lower qualification shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

D. Development of a property project

(a) Land for property development

Under the "Interim Regulations of the People's Republic of China on Assignment and Transfer of the Right to Use State-Owned Land in Urban Areas" (the "Interim Regulations on Assignment and Transfer") (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 and enforced by the State Council on May 19, 1990, a system of grant and transfer of the right to use state-owned land is adopted. A land user is required to pay a premium to the state as consideration for the grant of the land use rights within a certain term, and the land user can transfer, lease, mortgage or otherwise commercially use the land use rights within the term of use. Under the Interim Regulations on Assignment and Transfer and the Urban Real Estate law, the land administration authority under the local government of the relevant city or county is required to enter into a land grant contract with the land user for the grant of the land use rights. The land user is required to pay the land premium as provided for by the land grant contract. After payment in full of the land premium, the land user is required to register with the land administration authority and obtain a land use rights certificate evidencing the acquisition of land use rights. The Development Regulations provide that land use rights for a site intended for property development shall be obtained through government grant except for land use rights which may be obtained through allocation pursuant to the PRC laws or the stipulations of the State Council.

Under the "Regulations on the Assignment of State-Owned Land Use Rights through Competitive Bidding, Auction and Listing-for-Sale" (Regulation No. 11) (招標拍賣掛牌出讓國有土地使用權規定, 11號令) which were promulgated by the Ministry of Land and Resources on May 9, 2002 and became effective on July 1, 2002, land for commercial use, tourism, entertainment and commodity housing

development is assigned by way of competitive bidding, public auction or listing-for-sale. The regulations were amended on September 28, 2007, and were renamed "Regulations on the Assignment of the Rights to Use State-Owned Land for Construction through Competitive Bidding, Auction and Listing-for-Sale" (Regulation No. 39) (招標拍賣掛牌出讓國有建設用地使用權規定, 39號令). The general procedures for assignment of state-owned land use rights are as follows:

- (a) The land authority under the people's government of the city and county (the "assignor") shall make an announcement at least 20 days prior to the date of the proposed competitive bidding, public auction or listing-for-sale. The announcement should include basic particulars such as land parcel, the qualification requirements of the bidder and auction applicants, methods and criteria on confirming the winning tender or winning bidder, and other conditions such as the deposit for the bid.
- (b) The assignor shall conduct a qualification verification of the bidding applicants and auction applicants, inform the applicants who satisfy the requirements set out in the announcement and invite them to attend the competitive bidding, public auction or listing-for-sale.
- (c) After determining the winning tender or the winning bidder by either competitive bidding, public auction or listing-for-sale, the assignor and the winning tender or winning bidder are then required to enter into a confirmation. The assignor should return the bidding or tender deposits to other bidding or auction applicants.
- (d) The assignor and the winning tender or winning bidder are required to enter into a contract for the grant of state-owned land use rights according to the time and venue set out in the confirmation. The deposit of the bid paid by the winning tender or winning bidder will be used to set off part of the land premium for the grant of the state-owned land use rights.
- (e) The winning tender or winning bidder is required to apply for the land registration after paying off the land grant premium in accordance with the state-owned land use rights grant contract. The people's government above the city and county level should issue the "Land Use Permit for State-Owned Land."

According to the "Notice of the Ministry of Land and Resources on Strengthening the Administration of Land Supply and Promoting the Sustainable Sound Development of Real Estate Market" (關於加強土地供應管理促進房地產市場持續健康發展的通知) enacted by the Ministry of Land and Resources on September 4, 2003, land use for luxurious commodity houses shall be stringently controlled and applications for land use for building villas will not be accepted. On May 30, 2006, the Ministry of Land and Resources issued the "Urgent Notice of Further Strengthening the Administration of the Land" (the "Urgent Notice") (關於當前進一步從嚴土地管理的緊急通知) stipulating that land for property development must be assigned by way of competitive bidding, public auction or listing-for-sale, development projects for villas are not be permitted, and all supply of land for such purposes and the handling of related land use procedure will be ceased from issuance date of the notice.

Under the Urgent Notice, the land authority should rigidly execute the "Model Text of the State-owned Land Use Rights Assignment Contract" (國有土地使用權出讓合同示範文本) and "Model Text of the State-Owned Land Use Rights Assignment Supplementary Agreement (for Trial Implementation)" (國有土地使用權出讓合同補充協議示範文本(試行)) jointly promulgated by the Ministry of Land and Resources and SAIC. The document of the land grant should ascertain the requirement of planning,

construction and land use such as the restriction of the dwelling size, plot ratio and the time limit of starting and completion. All these should be agreed in the land use rights grant contract. On April 29, 2008, the Ministry of Land and Resources and SAIC promulgated the revised “Model Text of the Rights to Use State-Owned Land for Construction Assignment Contract” (國有建設用地使用權出讓合同示範文本).

Under the “Regulations on the Assignment of the Rights to Use State-Owned Land for Construction through Competitive Bidding, Auction and Listing-for-Sale” (招標拍賣掛牌出讓國有建設用地使用權規定) which were promulgated by the Ministry of Land and Resource on September 28, 2007, and became effective on November 1, 2007, land for industrial use (including land for warehouses but not land for mining), commercial use, tourism, entertainment and commodity housing development or more than two competing users on one piece of land is required to be assigned by way of competitive bidding, public auction or listing-for-sale. The assignee should obtain the land use rights certificate after paying off the total premium. The relevant land use rights certificates will not be issued prior to full payment of the appropriate land premium, and no land use rights certificates will be issued pro rata based on partial payment received.

In November 2009, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (關於進一步加強土地出讓收支管理的通知). The notice raises the minimum down payment to 50% of the total land premium and requires the land premium to be fully paid within one year of signing a land grant contract, subject to limited exceptions.

On March 8, 2010, the Ministry of Land and Resources promulgated the Circular on Strengthening Real Estate Land Supply and Supervision (the “Circular”) (關於加強房地產用地供應和監管有關問題的通知). Under the Circular, price for a given land transfer is required to be at least 70% of the benchmark price for land in the surrounding locality and the bidding deposit for such land transfer is required to be equal to at least 20% of the applicable minimum land premium. The Circular has made further strict provisions on land grant contract administration. The land grant contract shall be entered into within 10 working days after the land grant deal is closed, the down payment of 50% of the land premium (taking into account any deposits previously paid) shall be paid within one month as of the date of land grant contract, and the remaining shall be paid in accordance with provisions of the land grant contract within one year.

In September 2010, the Ministry of Land and Resources and MOHURD jointly promulgated the Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development (關於進一步加強房地產用地和建設管理調控的通知), which stipulates, among other things, that: (i) at least 70% of land designated for construction of urban housing must be used for affordable housing, housing for resettlement of shanty towns and small to medium-sized ordinary commercial housing; in areas with high housing prices, the supply of land designated for small to medium-sized, price-capped housing must be increased; (ii) developers and their controlling shareholders are prohibited from participating in land auctions before the rectification of certain misconduct, including (1) illegal transfer of land use rights; (2) failure to commence required construction within one year from the delivery of land under land grant contracts due to such developers’ own reasons; (3) noncompliance with the land development requirements specified in land grant contracts; and (4) crimes such as swindling land by forging official documents and illegal land speculation; (iii) developers are required to commence construction within one year from the date of delivery of land under the relevant land grant

contract and complete construction within three years of commencement; (iv) development and construction of projects of low-density and large-sized housing must be strictly limited and the plot ratio of the planned GFA to the total site area of residential projects must be more than 1:1; and (v) the grant of two or more bundled parcels of lands and undeveloped land is prohibited.

In December 2010, the Ministry of Land and Resources promulgated the Notice on Strict Implementation of Policies Regarding Regulation and Control of Real Property Land and Promotion of the Healthy Development of Land Markets (關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知), which provides, among other things, that; (i) cities and counties that have less than 70% of their land supply designated for affordable housing, housing for redevelopment of shanty towns or small/medium residential units must not provide land for large-sized and high-end housing before the end of this year; (ii) land and resource authorities in local cities and counties will report to Ministry of Land and Resources and provincial land and resource authorities, respectively regarding land with a premium rate of more than 50%; (iii) land designated for affordable housing which is used for property development against relevant policies or involved illegal income will be confiscated and the relevant land use rights will be withdrawn. Moreover, changing the plot ratio without approval is strictly prohibited.

On January 26, 2011, the State Council circulated “Notice on Further Regulating the Real Estate Market” (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知), which provides for more stringent management of housing land supply, among other things, that participants or individuals bidding on any land unit shall show proof of funding sources.

According to the “Notice on Implementation Measures on Urban Housing Land Management and Regulation in 2011” (關於切實做好2011年城市住房用地管理和調控重點工作的通知) promulgated by the Ministry of Land and Resources in February 2011, construction for 10 million units of affordable housing units shall be implemented in 2011. It also requires that the target total supply of urban housing land shall not be lower than the annual average supply for the preceding two years.

According to the “Notice on Implementation Measures on Urban Housing Land Management and Regulation in 2012” (關於做好2012年房地產用地管理和調控重點工作的通知) promulgated by the Ministry of Land and Resources in February 2012, the target total supply of urban housing land shall not be lower than the annual average supply for the preceding five years.

According to the Circular on the Distribution of the Catalog for Restricted Land Use Projects (2012 Edition) and the Catalog for Prohibited Land Use Projects (2012 Edition) (關於印發〈限制用地項目目錄〉(2012年本)和〈禁止用地項目目錄〉(2012年本)的通知) promulgated by the Ministry of Land and Resources in May 2012, the transferred area of the residential housing projects should not exceed (i) seven hectares for small cities and towns, (ii) 14 hectares for medium-sized cities, and (iii) 20 hectares for large cities, and plot ratio must be more than 1.0.

On February 26, 2013, the General Office of the State Council issued the “Notice on Continuing to improve the Regulation and Control of Real Estate Market” (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which requires, among other things, expanding ordinary commodity housing units and increasing the supply of land. The overall housing land supply in 2013 shall not be lower than the average actual land supply for the preceding five years.

The MOHURD and the Ministry of Land and Resources jointly issued the “Circular of Relevant Work on Strengthening the Recent Administration and Control of Housing and Land Supply” (關於加強近期住房及用地供應管理和調控有關工作的通知) dated April 1, 2017 which provides, among others, that cities and counties that have more than one million inhabitants should make three-

year (2017-2019) and a five-year (2017-2021) plans for housing land supply, and make the plans public by the end of June 2017. The circular further requires that local governments should adjust the size, structure and timing of land supply for residential housing in due course based on the period of depleting commodity residential housing inventory. For example, if the above period is longer than 36 months, no more land is to be supplied; if the said period is over 18 months but shorter than 36 months, land supply shall be reduced in size; if the said period is longer than six months but shorter than 12 months, more land shall be provided; however, if the current inventory could be sold in less than six months, land supply shall increase significantly within a short amount of time. In addition, the circular stipulates that local authorities should adopt the examination system of land acquisition capital to insure that the property developers use internal funds to acquire lands and that, if the land bid capital originate from a questionable source, the property developers shall be disqualified and prohibited from bidding for land for a designated time.

(b) Property project development

i. Commencement of a property project and the idle land

Under the Urban Real Estate Law, those which have obtained the land use rights through an assignment must develop the land in accordance with the terms of use and within the period of commencement prescribed in the land use rights assignment contract. On June 1, 2012, the Ministry of Land and Resources revised and promulgated the “Measure for the Disposal of Idle Land” (閒置土地處置辦法), which further clarified the scope and definition of idle land, as well as the corresponding punishment measures compared to the old version. Pursuant to the new Measure for the Disposal of Idle Land, under the following circumstances, a parcel of land shall be defined as “idle land”:

- any state-owned land for construction use, of which the holder of the land use right fails to start the construction and development thereof within one year after the commencement date of the construction and development work as agreed upon and prescribed in the contract for fee-based use of state-owned land for construction use, or the decision on allocation of state-owned land for construction use; and
- any state-owned land for construction use, of which the construction and development have been started but the area of land that is under construction and development is less than one third of the total area of land that should have been under construction and development or the amount invested is less than 25% of the total investment, and the construction and development of which has been suspended for more than one year.

If a parcel of land is deemed as idle land by a competent department of land and resources, unless otherwise prescribed by the new Measure for the Disposal of Idle Land, the land shall be disposed of in the following ways:

- where the land has remained idle for more than one year, the competent department of land and resources at the municipal or county level shall, with the approval of the people’s government at the same level, issue a Decision on Collecting Charges for Idle Land to the holder of the land use right and collect the charges for idle land at the rate of 20% of the land assignment or allocation fee; and the said charges for idle land shall not be included in the production cost by the holder of the land use right; and
- where the land has remained idle for more than two years, the competent department of land and resources at the municipal or county level shall, with the approval of the

people's government at the same level, issue a Decision on Taking Back the Right to Use the state-owned Land for Construction Use to the holder of the land use right.

On January 3, 2008, the State Council reiterated the abovementioned policies in the "Notice on Enhancing the Economical and Intensive Use of Land." (關於促進節約集約用地的通知) This notice states, among other things, that (i) policies in relation to the forfeiture of land use rights without compensation for land which has remained idle for more than two years shall be strictly implemented; (ii) if any land remains idle for one year, an idle land fee of 20% of the relevant land premium shall be levied; (iii) the prohibition of land supply for villa projects shall continue; (iv) the Ministry of Land and Resources and other authorities are required to research and commence the drafting of implementation rules concerning the levy of LAT on idle land; (v) in relation to the supply of residential land, planning conditions such as plot ratio limits and the number and type of units that can be constructed shall be taken into account in land grant contracts and allocation decisions to ensure that at least 70% of the total land grant for residential development will consist of low rental housing, economy housing, limited pricing housing and units of less than 90 sq.m. in size; and (vi) financial institutions are required to exercise caution when approving financing for any property developer who, after one year from the commencement date stipulated in the land grant contract, fails to complete at least one-third of the development of their project or provide at least 25% of the total investment in the project. On September 12, 2014, the Ministry of Land and Resources issued the Guidelines on Improving Economical and Intensive Use of Land (關於推進土地節約集約利用的指導意見), which requires relevant governmental authorities to reinforce the implementation of the rules regarding idle land and to specify the control requirements of land use standards in relevant legal documents, including land use approvals and land grant contracts.

ii. Planning of a property project

According to the "Urban and Rural Planning Law of the People's Republic of China (replacing the previous "City Planning Law of the People's Republic of China" (中華人民共和國城市規劃法) since January 2008) (中華人民共和國城鄉規劃法), the "Administrative Measures on Planning of Grant and Transfer of Urban State-Owned Land Use Rights" (城市國有土地使用權出讓轉讓規劃管理辦法) which were promulgated by the Ministry of Construction on December 4, 1992 and became effective on January 1, 1993 and the "Notice of the Ministry of Construction on Strengthening the Planning Administration of Grant of State-Owned Land Use Rights" (關於加強國有土地使用權出讓規劃管理工作的通知) which was promulgated by the Ministry of Construction and became effective on December 26, 2002, after signing an assignment contract, a property developer shall apply for an Opinion on Construction Project's Site Selection and a Permit for Construction Site Planning from the city and county planning authority with the assignment contract. After obtaining a Permit for Construction Site Planning, a property developer shall organize the necessary planning and the design work with regard to planning and design requirements, and apply for a Permit for Construction Work Planning from city planning authority with the relevant approval documents.

On January 21, 2011, the "Regulations 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) was promulgated by the State Council, a summary of the important provisions is set forth below:

- Where a building of any entity or individual on state-owned land is expropriated for public interest, the owner of the expropriated building shall be fairly compensated;

- The people’s government at the city or county level shall publish in a timely manner the public opinions solicited and the amendments made according to the public opinions;
- Before making a decision on building expropriation, the people’s government at the city or county level shall make a social stability risk assessment according to the relevant provisions;
- The compensation granted to an owner by the people’s government at the city or county level which makes the building expropriation decision shall include:
 - (1) compensation for the value of the building expropriated;
 - (2) compensation for the relocation or temporary settlement resulting from the building expropriation; and
 - (3) compensation for the production or business interruption losses resulting from the building expropriation;
- The compensation for the value of the building expropriated shall not be less than the market price of real estate similar to the building expropriated on the date of announcement of the building expropriation decision;
- An owner may choose either monetary compensation or exchange of titles; and
- Compensation shall be made before relocation, and demolition and relocation with violence is prohibited.

iii. Construction of a property project

After obtaining the Permit for Construction Work Planning and prior to construction, a property developer is required to apply for a Construction Permit from the construction authority above the county level according to the “Measure for the Administration of Construction Permits for Construction Projects” (建築工程施工許可管理辦法) enacted by the Ministry of Housing and Urban-Rural Development on June 25, 2014 and effective from October 25, 2014.

iv. Completion of a property project

According to the Development Regulation, the “Regulation on the Quality Management of Construction Projects” (建設工程質量管理條例) enacted and enforced by the State Council on January 30, 2000 and as amended on October 7, 2017, the “Administrative Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure” (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) enacted by the Ministry of Construction in April 2000 and amended on October 19, 2009 and the “Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure” (房屋建築和市政基礎設施工程竣工驗收規定) which were promulgated by the Ministry of Housing and Urban-Rural Development in December 2013, after completion of work for a project, a property developer is required to apply for the acceptance examination to the property development authority under the people’s government on or above the county level and report details of the acceptance examination, upon which the “Record of acceptance examination upon project completion” is issued. For a housing estate or other building complex project, an acceptance examination is required to be conducted upon completion of the whole project and where such a project is developed in phases, separate acceptance examination is required to be carried out for each completed phase.

E. Property transactions

(a) Transfer of property

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) enacted by the Ministry of Construction on August 7, 1995 and revised on August 15, 2001, a property owner may sell, give or otherwise legally transfer a property to another person or legal entity. When transferring a building, the ownership of the building and the land use rights attached to the site on which the building is situated are transferred simultaneously. The parties to a transfer are required to enter into a property transfer contract in writing and register the transfer with the property administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by assignment, the real property may only be transferred on the condition that: (a) the assignment price has been paid in full for the assignment of the land use rights as provided by the assignment contract and a land use rights certificate has been obtained; and (b) if development is to be carried out according to the assignment contract and is a project in which buildings are being developed, development representing more than 25% of the total investment has been completed.

If the land use rights were originally obtained by assignment, the term of the land use rights after transfer of the property shall be the remaining portion of the original term provided by the land use rights assignment contract after deducting the time that has been used by the former land users. In the event that the transferee intends to change the use of the land provided in the original assignment contract, consent shall first be obtained from the original assignor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the land use rights assignment contract or a new land use rights assignment contract shall be signed in order to, inter alia, adjust the land use rights assignment price accordingly.

If the land use rights were originally obtained by allocation, transfer of the real property shall be subject to the approval of the government vested with the necessary approval power as required under the regulations of the State Council. If the people’s government vested with the necessary approval power approves such a transfer, the transferee shall complete the formalities for transfer of the land use rights, unless the relevant statutes require no transfer formalities, and pay the transfer price according to the relevant statutes.

(b) Sale of commodity properties

Under the “Regulatory Measures on the Sale of Commodity Properties” (商品房銷售管理辦法) which were promulgated by the Ministry of Construction on April 4, 2001 and became effective on June 1, 2001, sale of commodity properties can include both pre-completion and post-completion sales.

i. Permit of Pre-Completion Sale of Commodity Properties

According to the Development Regulations and the “Measures for Administration of Pre-completion Sale of Commodity Properties” (the “Pre-completion Sale Measures”) (城市商品房預售管理辦法) enacted by the Ministry of Construction on November 15, 1994 and

revised on August 15, 2001 and July 20, 2004, the pre-completion sale of commodity properties is subject to a permit system, under which a property developer intending to sell a commodity building before its completion is required to make the necessary pre-completion sale registration with the property development authority of the relevant city or county to obtain a permit of pre-completion sale of commodity properties. A commodity building can only be sold before completion provided that: (a) the assignment price has been paid in full for the assignment of the concerned land use rights and a land use rights certificate has been issued; (b) a Permit for Construction Work Planning and a Permit for Construction of Work have been obtained; (c) the funds invested in the development of the commodity properties put to pre-completion sale represent 25% or more of the total investment in the project and the progress of work and the completion and delivery dates have been ascertained; and (d) the pre-completion sale has been registered and a Permit for Pre-completion Sale of Commodity Properties has been obtained.

In addition, according to the “Regulations on Administration of Pre-completion Sale of Commodity Properties of Guangdong Province” (廣東省商品房預售管理條例) enacted by the Standing Committee of Guangdong Provincial People’s Congress on August 22, 1998 and revised on October 14, 2000, July 23, 2010 and September 25, 2014, and the “Notice on Adjusting Conditions of Image and Progress for Commodity Building Pre-sale Project in Guangdong Province” (關於調整商品房預售項目工程形象進度條件的通知) issued by the Guangdong Provincial Construction Bureau in January 2001, the following conditions are required to be fulfilled for the pre-completion sale of commodity properties in Guangdong: (a) the property developer has obtained a real property development qualification certificate and a business license; (b) the construction quality and safety monitoring procedures have been performed; (c) the structural construction and the topping-out must have been completed in respect of properties of not more than seven stories (including seven stories), and at least two-third of the structural construction must have been completed in respect of properties of more than seven stories; (d) a special property pre-completion sale account with a commercial bank in the place where the project is located has been opened; and (e) the properties, pre-completion sale project and its land use rights are free from any third party rights.

ii. Management of pre-completion sale proceeds of commodity properties

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

iii. Conditions of the sale of post-completion commodity properties

Under the “Regulatory Measures on the Sale of Commodity Properties,” commodity properties can may be put to post-completion sale only when the following preconditions have been satisfied: (a) the real estate development enterprise offering to sell the post-completion properties has an enterprise legal person business license and a qualification certificate of a property developer; (b) the enterprise has obtained a land use rights certificate or other approval documents of land use; (c) the enterprise has the permit for construction project planning and the permit for construction; (d) the commodity properties have been completed and been inspected and accepted as qualified; (e) the relocation of the original residents has been well settled; (f) the supplementary essential facilities for supplying water, electricity, heating, gas, communication, etc. have been made ready for use, and other supplementary essential facilities

and public facilities have been made ready for use, or the schedule for construction and delivery date thereof have been specified; and (g) the property management plan has been completed.

Before the post-completion sale of a commodity building, a property developer is required to submit the Real Estate Development Project Manual and other documents showing that the preconditions for post-completion sale have been fulfilled to the property development authority for making a record.

iv. Regulations on sale of commodity properties

According to the Development Regulations and the Pre-completion Sale Measures, for the pre-completion sale of a commodity property, the developer is required to sign a contract on the pre-sale of the commodity property with the purchaser. The developer shall, within 30 days upon signing the contract, apply for registration and record the contract for pre-completion sale commodity property to the relevant administrative departments governing the property and land administration department of the city or country governments. The property administrative department is required to take the initiative to apply network information technology to gradually implement the web-based registration of pre-sale contracts.

Pursuant to the “Circular of the General Office of the State Council on Forwarding the Opinion of the Ministry of Construction and Other Department on Doing a Good Job of Stabilizing House Prices” (國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知) on May 9, 2005, there are several regulations concerning commodity properties sales:

- The buyer of a commodity building is prohibited from conducting any transfer of the pre-sale of the commodity building that he has bought but is still under construction. Before completion and delivery of an advance sale commodity building to the advance buyer, and before the advance buyer obtains the individual property ownership certificate, the property administration department shall not handle any transfer of the commodity building. If there is a discrepancy in the name of the applicant for property ownership and the name of the advance buyer in the advance sales contract, the property ownership registration administration shall not record the application of real estate ownership.
- A real name system for house purchase should be applied; and an immediate archival filing network system should be carried out for the pre-sale contracts of commodity properties.

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

The “Provisions 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 and became effective on May 1, 2011. According to the provisions, 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 provisions require real estate operators to clearly indicate to the public the prices and relevant fees of commodity properties, as well as other factors affecting the prices of commodity properties. With respect to the real estate development projects that have received property pre-sale license or have completed the filing procedures for the sales of constructed properties, real estate operators shall announce all the commodity properties available for sales at once within the specified time limit. Furthermore, with regard to a property that has been sold, real estate operators are obliged to disclose this information and to disclose the actual transaction price. Real estate operators cannot sell commodity properties beyond the stated price or charge any other fees not explicitly marked. Moreover, real estate operators may neither mislead property purchasers with false or irregular price marking, nor engage in price fraud by using false or misleading price marking methods.

(c) Mortgages of property

Under the Urban Real Estate Law and the “The Security Law of the People’s Republic of China” (中華人民共和國擔保法) which was promulgated by the Standing Committee of the National People’s Congress on June 30, 1995 and became effective on October 1, 1995, and the “Measures on the Administration of Mortgage of Buildings in Urban Areas” (城市房地產抵押管理辦法) which was promulgated by the Ministry of Construction in May 1997 and revised on August 15, 2001, mortgage refers to the act of a debtor, or a third party, who, without transferring the occupancy of the properties, charge those properties as security for the creditor’s rights. When the debtor fails to pay his debt, the creditor has a right to obtain compensation, in accordance with the stipulations of the aforesaid law and regulation, by converting the properties into money or seek preferential payments from the proceeds from the auction or sale of the concerned properties. The obligation secured by a mortgagor shall not exceed the value of the properties mortgaged. After being mortgaged, the balance of value of the properties that exceeded the creditor’s rights can be mortgaged for a second time, but the sum of the mortgage shall not exceed the value of the balance. When a mortgage is created on the ownership of a building on state-owned land legally obtained, a mortgage shall be simultaneously created on the land use rights of the land on which the building is erected. When the land use rights of state-owned lands acquired through means of assignment is mortgaged, the buildings on the land shall also be mortgaged at the same time. The land use rights of town and village enterprises cannot be mortgaged individually. When the buildings of the town and village enterprises are mortgaged, the land use rights occupied by the buildings shall also be mortgaged at the same time. The mortgagor and the mortgagee are required to sign a mortgage contract in writing. Within 30 days after a property mortgage contract has been signed, the parties to the mortgage are required to register the mortgage with the property administration authority at the location where the property is situated. A real estate mortgage contract shall become effective on the date of registration of the mortgage. If a mortgage is created on the real estate in respect of which a property ownership certificate has been obtained legally, the registration authority shall make an entry under the “third party rights” item on the original real estate ownership certificate and then issue a Certificate of Third Party Rights to Real Estate to the mortgagee. If a mortgage is created on the commodity building put to pre-completion sale or under construction, the registration authority shall record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved shall re-register the mortgage of the real property after the issuance of the certificates evidencing the ownership of the property.

In September 2010, PBOC and the CBRC jointly issued the “Notice on Relevant Issues Regarding the improvement of Differential Mortgage Loan Policies” (關於完善差別化住房信貸政策有關問題的通知), which provides, among other things, that (i) the minimum down payment is raised to 30% for all first home purchases; (ii) commercial banks in China shall suspend mortgage loans to purchasers (including the borrower, spouse and minor children) for their third or further residential property or to non-local residents who cannot provide documentation certifying payment of local tax or social security for longer than a one-year period; and (iii) all property companies with records of being involved in abuse of land, changing the land-use purpose or nature of use of land, postponing the construction commencement or completion date, hoarding or other non-compliance will be restricted from obtaining bank loans for new projects or extension of credit facilities. In addition, certain cities have promulgated measures to restrict the number of residential properties one family is allowed to purchase, such as Guangzhou, Shenzhen, Changzhou, Shanghai, Beijing, Suzhou, Nanjing, Tianjin, Wuhan, Ningbo, Fuzhou, Nanchang, Hangzhou and Dalian.

In November 2010, MOHURD, the Ministry of Finance, CBRC and PBOC jointly promulgated the “Notice on Relevant Issues Concerning Policies of Regulation of Individual Housing Reserve Loan” (關於規範住房公積金個人住房貸款政策有關問題的通知), which provides that, among other things: (i) where a first-time house purchaser (including the borrower, his or her spouse and minor children) uses housing reserve loans to buy an ordinary house for self-use with a unit floor area: (a) equal to or less than 90 square meters, the minimum down payment shall be at least 20%, (b) more than 90 square meters, the minimum down payment shall be at least 30%; (ii) for a second-time house purchaser using housing reserve loans, the minimum down payment shall be at least 50% with the minimum lending interest rate of 110% of the benchmark rate; (iii) the second housing reserve loan will only be available to families whose per capital housing area is below the average in locality and such loan must only be used to purchase an ordinary house for self-use to improve residence conditions; and (iv) housing reserve loans to families for their third and further residential property will be suspended.

On January 26, 2011, the State Council issued the “Notice on Further Strengthening Regulation and Control of Real Property Markets” (關於進一步做好房地產市場調控工作有關問題的通知), requiring: (i) a minimum down payment of at least 60% of the total purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are overly high or increasing at an excessively high rate, purchasers (including their spouses and minor children) that are either local residents or non-local residents that can provide documentation certifying payment of local tax or social security for longer than a specified time period, are not permitted to purchase a second (or further) residential property, and purchasers (including their spouses and minor children) that are non-local residents that are unable to provide documentation certifying payment of local tax or social security for longer than a specified time period, are not permitted to purchase any residential properties. In order to implement the Notice on Further Strengthening Regulation and Control of Real Property Markets, certain cities, including Beijing, Shanghai, Chengdu, Qingdao and Jinan, have promulgated measures to restrict the number of residential properties one family is allowed to purchase.

The people’s governments of certain cities, such as Beijing, Shanghai, Guangzhou, Tianjin, Nanjing, Chengdu, Wuxi, Qingdao, Hangzhou, Xi’an, Changzhou, Shenyang and Dalian, had respectively promulgated local measures for restriction of housing purchases to implement the

Notice of the State Council on Issues Related to Further Enhancing the Regulation and Control of the Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知).

On February 26, 2013, the PRC government further adopted more strict policies to restrict properties purchase, including increasing down payment ratios and interest rates for loans to purchasers of second homes in cities where the housing price is growing excessively, and imposing individual income tax at a rate of 20% on the gains generated from the sale of a self-owned property.

(d) Lease of buildings

On December 1, 2010, the Ministry of Housing and Urban-Rural Development issued the “Administrative Measures for Commodity Housing Tenancy” (商品房屋租賃管理辦法), according to which, the parties to a housing tenancy are required to go through the housing tenancy registration formalities with the competent construction (real estate) departments of the municipalities directly under the PRC central government, cities and counties where the housing is located within 30 days after the housing tenancy contract is signed. The relevant construction (real estate) departments are authorized to impose a fine below RMB1,000 on individuals, and a fine between RMB1,000 and RMB10,000 on other violators who are not natural persons who fail to comply with the regulations within the specified time limit. The above measures came into effect on February 1, 2011. On June 3, 2016, the General Office of the State Council issued the “Opinions on Accelerating the Cultivation and Development of Leasing Market” (國務院辦公廳關於加快培育和發展住房租賃市場的若干意見), which encourages real estate developers to carry out house leasing businesses. The said opinions support real estate developers to utilize built residential properties or newly built residential properties to carry out leasing businesses. The opinions also encourage real estate developers to put up the residential properties for rent and to cooperate with residential property leasing enterprises to develop rental properties. On July 18, 2017, MOHURD, NDRC and other government departments jointly released the “Circular on Accelerating the Development of the Housing Leasing Market in Large and Medium-sized Cities with a Large Inflow Population” (關於在人口淨流入的大中城市加快發展住房租賃市場的通知, hereinafter referred to as the Circular). According to the Circular, the government will take multiple measures to speed up the development of the rental market and increase supply of rental housing, including but not limited to, encouraging the local governments to increase land supply for the development of property for rental- and increasing the proportion of rental housing to the commercial residential building projects.

On September 14, 2017, MOHURD issued a notice and officially announce its support for the pilot program on houses with joint property ownership rights in Beijing and Shanghai. On March 16, 2016, Shanghai Municipal People’s Government promulgated the “Measures for the Administration on Houses with Joint Property Rights” (上海市共有產權保障住房管理辦法), which was implemented on May 1, 2016. On September 20, 2017, Beijing Municipal Housing and Urban-Rural Development Commission, Beijing Municipal Planning and Land Resources Management Committee, Beijing Municipal Development and Reform Commission and Beijing Municipal Bureau of Finance released the “Interim Measures for the Administration of Houses with Joint Property Rights” (共有產權住房管理暫行辦法), which was implemented on September 30, 2017. According to the aforementioned measures, the houses with joint property ownership rights refers to the housing that the property ownership rights are jointly owned by the government and the purchasers, and the sales price is lower than the market price and the ownership of the housing is restricted. The land for joint property ownership rights will be included in the annual plan of land supply of the local government, listed separately and supplied with priority.

F. Property financing

PBOC issued the "Circular on Further Strengthening the Management of Loans for Property Business" (關於進一步加強房地產信貸業務管理的通知) on June 5, 2003 to specify the requirements for banks to provide loans for the purposes of property development and individual home mortgage as follows:

- (a) The property loan by commercial banks to real estate enterprises shall be granted only under the title of property development loan and it is strictly forbidden to extend such loans as a current capital loan for property development project or other loan item. No lending of any type shall be granted to enterprises which have not obtained the land use rights certificates, construction land permit, construction planning permit and construction work permit;
- (b) Commercial banks shall not grant loans to property developers to pay off land premium; and
- (c) Commercial banks may only provide mortgage 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 remains at 20%. In respect of his loan application for an additional purchase of residential unit(s), the percentage of the first installment shall be increased.

Pursuant to the "Guidance on Risk Management of Property Loans of Commercial Banks" (商業銀行房地產貸款風險管理指引) issued by China Banking Regulatory Commission on September 2, 2004, any property developer applying for property development loans is required to have at least 35% of capital funds required for the development.

According to the "Notice of the People's Bank of China on the Adjustment of Commercial Bank Housing Loan Policies and the Interest Rate of Excess Reserve Deposit," (中國人民銀行關於調整商業銀行住房信貸政策和超額儲備金存款利率的通知) enacted by PBOC on March 16, 2005, starting from March 17, 2005, the down payment for individual homes increased from 20% to 30% in cities and areas where property prices grow too quickly. The commercial banks can independently determine scope of such property price rise according to specific situations in different cities or areas.

On May 24, 2006, the State Council passed the "Opinion of the Ministry of Construction and Other Departments on Adjusting the Housing Supply Control Structure and Stabilizing the Property Prices." (關於調整住房供應結構穩定住房價格的意見) The regulations provide the following:

- (a) Tightening the control of advancing loan facilities. The commercial banks are not allowed to advance their loan facilities to property developers which do not have the required 35% or more of the total capital for the construction projects. The commercial banks should be prudent in granting loan facilities and revolving credit facilities in any form to the property developers who have a large number of idle land and unsold commodity properties. Banks should not accept mortgages of commodity properties remaining unsold for three years or longer;
- (b) From June 1, 2006 and onward, purchasers need to pay a minimum of 30% of the purchase price as down payment, except for apartments with a floor area of 90 sq.m. or less for residential purposes, for which the existing requirement of 20% of the purchase price as down payment remains unchanged.

According to the Circular on Standardizing the Admittance and Administration of Foreign Capital in Real Estate Market, foreign-invested real estate enterprises which have not paid up their registered capital fully, or failed to obtain a land use rights certificate, or with under 35% of the capital for the project, will not be allowed to obtain a loan in or outside China, and foreign exchange administration departments will not approve any settlement of foreign loans by such enterprises.

On May 23, 2007, MOFCOM and SAFE jointly issued the “Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC” (關於進一步加強規範外商直接投資房地產業審批和監管的通知). On April 28, 2013, SAFE issued the “Notice Regarding Promulgation of Administrative Measures on Foreign Debt Registration” (國家外匯管理局關於發佈《外債登記管理辦法》的通知), which became effective on May 13, 2013 and contains an appendix named the Operating Guidelines for Foreign Debt Registration Administration (外債登記管理操作指引). These notices indicate that SAFE will not process any foreign debt registrations or foreign debt applications for the settlement of foreign exchange submitted by real estate enterprises with foreign investment that obtained authorization certificates from and registered with MOFCOM on or after June 1, 2007.

On September 27, 2007, PBOC and the CBRC issued the “Circular on Strengthening the Credit Management for Commercial Real Property,” (關於加強商業性房地產信貸管理的通知) with a supplement issued in December 2007. The circular aims to tighten the control over property loans from commercial banks to prevent excessive credit granting. The measures adopted include:

- for a first time home buyer, increasing the minimum amount to 30% of the purchase price as down payment where the property has a unit floor area of 90 sq.m. or above and the purchaser is buying the property as for own residence;
- for a second time home buyer, increasing (i) the minimum amount of down payment to 40% of the purchase price and (ii) the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark bank lending interest rate. If a member of a family (including the buyer, his/her spouse and their children under 18) finances the purchase of a residential unit, any member of the family that buys another residential unit with loans from banks will be regarded as a second time home buyer;
- for a commercial property buyer, (i) requiring banks not to finance any purchase of pre-sold properties, (ii) increasing the minimum amount of down payment to 50% of the purchase price, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark bank lending interest rate, and (iv) limiting the terms of such bank loans to no more than 10 years, although commercial banks are allowed flexibility based on its risk assessment;
- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price, with the other terms to be decided by reference to commercial properties; and
- prohibiting commercial banks from providing loans to property developers which have been found by relevant government authorities to be holding excessive amounts of land and properties.

In addition, commercial banks are also prohibited from providing loans to projects that have less than 35% of capital funds (proprietary interests), or where there is failure to obtain land use

rights certificates, construction land planning permits, construction works planning permits and construction permits. Commercial banks are also prohibited from accepting commercial premises that have been vacant for more than three years as collateral for loans. In principle, property development loans provided by commercial banks should only be used for projects in areas where the commercial bank is located. Commercial banks may not provide loans to property developers to finance the payment of land use rights grant fees.

According to the notice on “Issues on Enlarging the Floating Range of the Downward Movement of Interest Rates for Individual Mortgage 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) issued by PBOC on October 22, 2008 and effective on October 27, 2008, the PRC government lowered the minimum interest rate for individual mortgage loans to 70% of the corresponding PBOC benchmark bank lending rates. Further, the minimum down payment of residential properties was lowered to 20%.

In January 2010, the General Office of the State Council issued a “Circular on Facilitating the Stable and Healthy Development of Property Market” (關於促進房地產市場平穩健康發展的通知), adopting a series of measures to strengthen and improve the regulation of the property market, stabilize market expectations and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide guidance for the purchase of property, restrain speculation of property, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a family (including a borrower, his or her spouse and children under 18), that has already purchased a residence through mortgage financing and has applied to purchase a second or additional residences through mortgage financing, to pay a minimum down payment of 40% of the purchase price.

On April 17, 2010, the State Council Issued Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities (堅決遏制部分城市房價過快上漲的通知) (the “April 17 Notice”), which provides that where the first home purchaser (including a borrower, his or her spouse and children under 18) purchases a residence with a unit floor area of more than 90 sq.m. for self-use, the minimum down payment is required not to be less than 30%; where for the second home buyers that use mortgage financing, it is required that the minimum down payment is required to be 50% of the purchase price with minimum mortgage lending interest rate at the rate of 110% of the benchmark rate published by PBOC; where a third or further buyers that use mortgage financing, the minimum down payment and interest rate thereof is required to be substantially further raised. The April 17 Notice, further requires that in cities where property prices are overly high with excessive price hike and strained housing supply, commercial banks may in light of risk exposure suspend extending bank loans for a third or further buyers; also provision of housing loans shall be suspended to non-local residents who cannot present the local tax returns or social insurances certification of more than one year.

On May 26, 2010, the MOHURD, PBOC and the CBRC jointly issued the “Circular on Regulating the Criteria for Identifying the Second Residential Properties in Connection with Personal Commercial Housing Loans” (關於規範商業性個人住房貸款中第二套住房認定標準的通知), which provides, among others, that the number of residential properties owned by an individual property purchaser who is applying for mortgage loans is required to be determined by taking into account the total number of residential properties owned by the family of such purchaser (including the purchaser and his or her spouse and children under the age of 18 years). In addition, the circular depicts a number of circumstances under which different credit policies shall be applied in connection with purchases of the second or further residential property.

In September 2010, PBOC and the CBRC jointly issued the “Notice on Relevant Issues Regarding the improvement of Differential Mortgage Loan Policies” (關於完善差別化住房信貸政策有關問題的通知), which provides, among other things, that (i) the minimum down payment is increased to 30% for all first home purchases; (ii) commercial banks in China are required to suspend mortgage loans to purchasers (including the borrower, spouse and minor children) for their third or further residential property or to non-local residents who cannot provide documentation certifying payment of local tax or social security for longer than a one-year period; and (iii) all property companies with records of being involved in abuse of land, changing the land-use purpose, postponing the construction commencement or completion date, hoarding or other non-compliance will be restricted from obtaining bank loans for new projects or extension of credit facilities. In addition, certain cities have promulgated measures to restrict the number of residential properties one family is allowed to purchase, such as Guangzhou, Shenzhen, Suzhou, Nanjing, Tianjin, Wuhan, Ningbo, Fuzhou, Nanchang, Hangzhou and Dalian.

In November 2010, MOHURD and SAFE jointly promulgated the “Notice on Further Regulating Administration of Purchase of Houses by Overseas Institutions and Individuals” (關於進一步規範境外機構和個人購房管理的通知), pursuant to which, a foreign individual can only purchase one house for self-use within the PRC and an overseas institution which has established a branch or representative office in the PRC can only purchase non-residential houses for business use in the city where it is registered within the PRC.

On January 26, 2011, the State Council issued the “Notice on Further Strengthening Regulation and Control of Real Property Markets” (關於進一步做好房地產市場調控工作有關問題的通知), which: (i) imposes a minimum down payment of at least 60% of the total purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are overly high or increasing at an excessively high rate, purchasers (including their spouses and minor children) that are local residents with two or more residential properties, non-local residents with one or more residential properties, or non-local residents that are unable to provide documentation are not permitted to certifying payment of local tax or social security for longer than a specified time period, purchase any residential properties. In order to implement the Notice on Further Strengthening Regulation and Control of Real Property Markets, certain cities, including Beijing, Shanghai, Chengdu, Qingdao and Jinan, have promulgated measures to restrict the number of residential properties one family is allowed to purchase.

On February 26, 2013, the General Office of the State Council issued the “Notice on Continuing to Improve the Regulation and Control of the Real Estate Market” (國務院辦公廳關於繼續做好房地產市場調控工作的通知), pursuant to which, in cities where the housing price are increasing at an excessively high rate, the local counterparts of the PBOC may further increase down payment ratios and interest rates for loans to purchase second properties in accordance with the price control policies and targets of the corresponding local governments. In the third quarter of 2013, several cities, including Guangzhou, Shanghai and Hangzhou, have increased the minimum down payment for purchasers of second residential properties to 70% of the purchase price.

To support the demand of purchasers of residential property and to promote the sustainable development of the real estate market, the PBOC and the CBRC jointly issued the Notice on Further Improving Financial Services for Residential Property (關於進一步做好住房金融服務工作的通知) on September 29, 2014, which provides that for any family that wishes to use a loan to purchase

a residential property, the minimum down payment will be 30% of the property price and the minimum loan interest rate will be 70% of the benchmark lending interest rate, with the specific terms of such loan to be decided by the banking financial institution that provides the loan, based on the risk profile of the borrower. Where a family that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply mortgage loan policy for first-time purchasers of residential property. In cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off its existing mortgage loans applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies. In March 2015, the PBOC, CBRC and MOHURD jointly issued a notice to lower the minimum down payment to 40% for households that own a residential property and have not paid off their existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve their living conditions, and allow the bank to decide at its own discretion the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower. On February 1, 2016, the PBOC and CBRC jointly issued the "Notice on the Adjustment of Individual Housing Loans Policies" (關於調整個人住房貸款政策有關問題的通知) which provides that in cities where property purchase control measures are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%.

G. Insurance of a property project

There are no mandatory provisions in the PRC laws, regulations and government rules which require a property developer to take out insurance policies for its property projects.

In light of the "Construction Law of the People's Republic of China" (中華人民共和國建築法) which was promulgated by the Standing Committee of the National People's Congress on November 1, 1997, and became effective on March 1, 1998), and which was subsequently amended on April 22, 2011 (with the amendments became effective on July 1, 2011), construction enterprises must maintain accident and casualty insurance for workers engaged in dangerous operations. In the "Opinions of the Ministry of Construction on Strengthening the Insurance of Accidental Injury in the Construction Work" (關於加強建築意外傷害保險工作的指導意見) promulgated by the Ministry of Construction on May 23, 2003, the Ministry of Construction further emphasized the importance of insurance to cover accidental injury in construction work and put forward detailed guidance. The "Guidance on the Insurance of Accidental Injury in the Construction Work of Guangdong Province" (廣東省建築意外傷害保險工作導則) enacted by the construction department of Guangdong Province on September 8, 2004 prescribes the scope, object, term, coverage, amount and premium of insurance for accidental injury. It further emphasizes that the persons who have already been insured for work-related injury insurances still need accidental injury insurance

when he or she takes part in the on-site construction work. According to the common practice of the property industry in Guangdong, except for the accidental injury insurance, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects.

Construction companies are required to pay for the insurance premium at their own costs and take out various types of insurance to cover their liabilities, such as property risks, third party's liability risk, performance guarantee in the course of construction and all-risks associated with the construction and installation work throughout the construction period. The requirements for insurance for all the aforementioned risks shall cease immediately after the completion and acceptance upon inspection of construction.

H. Major taxes applicable to property developers

(a) Income tax

According to the "PRC Enterprise Income Tax Law" (中華人民共和國企業所得稅法) which was promulgated by the National People's Congress on March 16, 2007 and became effective on January 1, 2008 and as amended on February 24, 2017, a uniform income tax rate of 25% is applied towards foreign-invested enterprises and foreign enterprises which have set up production and operation facilities in the PRC as well as PRC enterprises.

Furthermore, the PRC Enterprise Income Tax Law and its implementation provide that an income tax rate of 10% is generally be applicable to dividends payable to non-PRC enterprise investors which are derived from sources within the PRC, unless there exists a tax treaty between the PRC and the relevant jurisdictions in which such non-PRC enterprise shareholders reside whereupon the relevant tax may be reduced or exempted.

(b) Business tax and value added tax

Pursuant to the "Interim Regulations of the People's Republic of China on Business Tax" which was promulgated by the State Council on December 13, 1993 and became effective on January 1, 1994 as amended on November 10, 2008 and its "Detailed Implementation Rules on the Provisional Regulations of The People's Republic of China on Business Tax" issued by the Ministry of Finance on December 25, 1993, the tax rate on transfer of immovable properties, their superstructures and attachments is 5%.

Pursuant to the "Notice on Adjustment of Transforming Business Tax to Value Added Tax" (關於全面推開營業稅改徵增值稅試點的通知) (Cai Shui[2016]No. 36) issued on March 23, 2016 and implemented on May 1, 2016 by the MOF and the SAT, the sale of self-developed old real estate projects (refers to real estate projects launched time before April 30, 2016 stating on the construction works commencement permit) by a common taxpayer among real estate developers shall be subject to a simple tax rate of 5%. Real estate developers selling real estate project by advance payment will be subject to an appreciation tax of 3% when receiving advance payment.

Pursuant to the "Interim Measures on the Management of Value Added Tax of Self-developed Real Estate Project by the Sale of Real Estate Developers" (房地產開發企業銷售自行開發的房地產項目增值稅徵收管理暫行辦法) issued on March 31, 2016 and implemented on May 1, 2016 by SAT, "self-development" means infrastructure facilities and buildings erected on the land with land use rights which are developed by a real estate development company ("taxpayer"). These measures are also applicable to a development completed by a taxpayer after such project is taken over.

VAT is payable by taxpayers in the calendar month immediately following receipt of presale proceeds of real estate self-development in accordance with a given formula. The applicable rate is 11%. Nevertheless, for taxpayers conducting old real estate projects and who have chosen to apply the simplified tax method, the simplified rate of 5% will be applied in calculating the prepaid VAT. Once the simplified tax method is chosen, it will be applicable for 36 months.

Old real estate projects refer to (1) real estate projects with commencement dates of construction stated in the Construction Permits prior to April 30, 2016, and (2) construction projects with no commencement dates not stated in the Construction Permits, or construction projects with commencement dates of construction stated in the construction contracts prior to April 30, 2016, but have not yet received Construction Permits.

On November 19, 2017, the Interim Regulations of the People's Republic of China on Business Tax was abolished and the Interim Regulations of the People's Republic of China on Value added Tax (中華人民共和國增值稅暫行條例) was revised by the State Council. According to the revised Interim Regulations of the People's Republic of China on Value added Tax, selling goods, providing labor services of processing, repairs or maintenance, or selling services, intangible assets or real property in the PRC, or importing goods to the PRC, shall be subject to value added tax.

(c) Land appreciation tax

According to the requirements of the "Provisional Regulations of The People's Republic of China on Land Appreciation Tax" (the "Land Appreciation Provisional Regulations") (中華人民共和國土地增值稅暫行條例) which was promulgated on December 13, 1993 and became effective on January 1, 1994, and the "Detailed Implementation Rules on the Provisional Regulations of The People's Republic of China on Land Appreciation Tax" (the "Land Appreciation Detailed Implementation Rules") (中華人民共和國土地增值稅暫行條例實施細則) which was promulgated and became effective on January 27, 1995, any appreciation gained from taxpayer's transfer of property is subject to LAT. LAT is set at four different rates: 30% on appreciation not exceeding 50% of the sum of deductible items; 40% on appreciation exceeding 50% but not exceeding 100% of the sum of deductible items; 50% on appreciation exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% on appreciation exceeding 200% of the sum of deductible items. The deductible items include the following:

- amount paid for obtaining the land use rights;
- costs and expenses for development of land;
- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- related tax payable for transfer of property; and
- other deductible items as specified by MOF.

According to the requirements of the Land Appreciation Provisional Regulations, the Land Appreciation Detailed Implementation Rules and the Notice issued by the MOF in respect of the "Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts Signed before January 1, 1994" (關於對1994年1月1日前簽訂開發及轉讓合同的房地產徵免土地增值稅的通知) which was announced by the MOF and State Administration of Taxation on January 27, 1995, LAT is exempted under any one of the following circumstances:

- For ordinary standard residential properties (i.e. residential properties built in accordance with the local standard for general civilian residential properties and not

deluxe apartments, villas, resorts etc.) where the appreciation amount does not exceed 20% of the sum of deductible items;

- Where property taken over and repossessed according to laws due to the construction requirements of the State;
- Individuals who relocate as a result of redeployment of work or improvement of living standards transfer their self-used residential property where they have been living for 5 years or more, and after obtaining tax authorities' approval;
- For property transfer contracts which were signed before January 1, 1994, whenever the properties are transferred;
- If the property assignment contracts were signed before January 1, 1994 or the project proposal has been approved and that capital was injected for development in accordance with the conditions agreed, LAT shall be exempted if the properties are transferred for the first time within five years after January 1, 1994. The date of signing the contract shall be the date of signing the sale and purchase agreement. For particular property projects approved by the Government for the development of the entire piece of land and long-term development, if the properties are transferred for the first time after the five-year tax-free period, after auditing being conducted by the local financial and tax authorities, and approved by the MOF and the State Administration of Taxation, the tax-free period would be appropriately prolonged.

After the issuance of the Land Appreciation Provisional Regulations and the Land Appreciation Detailed Implementation Rules, due to the relatively long period required for property development and transfer, many districts, while they were implementing the regulations and rules, did not mandatorily require the real estate enterprises to declare and pay LAT. Therefore, in order to assist the local tax authorities in the collection of LAT, the MOF, State Administration of Taxation, the Ministry of Construction and the Ministry of Land and Resource had separately and jointly issued several notices to restate the following: After the assignment contracts are signed, taxpayers should declare the tax to the local tax authorities where the property is located, and pay LAT in accordance in the amount calculated by the tax authority and within the specified time limit. For those who fail to acquire proof of tax payment or tax exemption from the tax authorities, the property administration authority shall not process the relevant title change procedures, and shall not issue the property title certificate.

The State Administration of Taxation also issued the "Notice issued by State Administration of Taxation in respect of the Serious Handling of Administration Work in relation to the Collection of Land Appreciation Tax" (關於認真做好土地增值稅徵收管理工作的通知) on July 10, 2002 to request local tax authorities to modify the management system of LAT collection and operation procedures, to build up a proper tax return system for LAT, and to improve the methods of pre-levying for the pre-sale of property. That notice also pointed out the preferential policy of LAT exemption for the first time transfer of properties under property development contracts signed before January 1, 1994 or a project proposal that has been approved and for which capital was injected for development has expired, and that such tax shall be levied again.

The State Administration of Taxation issued the "Notice of State Administration of Taxation in respect of the Strengthening of Administration Work in relation to the Collection of Land Appreciation Tax" (關於加強土地增值稅管理工作的通知) on August 2, 2004 and the "Notice of State Administration of Taxation in respect of the Further Strengthening of Administration Work in

relation to the Collection of Land Appreciation Tax and Land Use Tax in Cities and Towns” (關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知) on August 5, 2004. The aforesaid notices point out that the administration work in relation to the collection of LAT should be further strengthened. The preferential policy of LAT exemption for the first time transfer of properties under property development contracts signed before January 1, 1994 has expired and such tax shall be levied again. Where such taxes were still not levied, the situation should be corrected immediately. Also, the notice required that the system of tax declaration and tax sources registration in relation to LAT should be further improved and perfected.

On March 2, 2006, the MOF and State Administration of Taxation issued the “Notice of Certain Issues Regarding Land Appreciation Tax.” (關於土地增值稅若干問題的通知) The notice clarifies the relevant issues regarding LAT as follows:

(a) Tax Collection and Exemption in the Sale of Ordinary Standard Residential Properties

The notice sets out the recognized standards for ordinary standard residential properties. Where any developers build ordinary standard residential properties or commercial properties, the value of land appreciation shall be assessed individually. No retroactive adjustment will be made in respect of ordinary standard residential properties for which application for tax exemption has been filed before the notice is issued and for which LAT exemption has been granted by the tax authority on the basis of the standards of ordinary residential properties originally set down by the people’s government of the province, autonomous region or municipality directly under the Central Government.

(b) Advance Collection and Settlement of LAT

- All regions shall further improve the measures for the advance collection of LAT, and decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the level of value appreciation in the property industry and market conditions within the region and on the basis of the specific property categories, namely, ordinary standard residential properties, non-ordinary standard residential properties and commercial properties. After a project is completed, the relevant settlement shall be handled in a timely manner, with any overpayment refunded or any underpayment being made up.
- If any tax pre-payment is not paid within the advance collection period, overdue fines will apply as of the day following the expiration of the prescribed advance collection period.
- As to any property project that has been completed and gone through the acceptance, where the floor area of the property as transferred makes up 85% or more in the saleable floor area, the tax authority may require the relevant taxpayer to conduct the settlement of LAT on the transferred property according to the matching principles regarding the proportion between the income generated from the transfer of property and the deductible items. The specific method of settlement shall be prescribed by the local tax authority.

On December 28, 2006, the State Administration of Taxation issued the “Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises” (關於房地產開發企業土地增值稅清算管理有關問題的通知) which came into effect on February 1, 2007. The notice sets out further provisions concerning, among other things, the

settlement of LAT by property developers by clarifying issues on responsibility for the settlement of LAT, requirements, materials to be submitted, auditing and verification, recognition of revenue of indirect sale and self-use properties, deductible items and the handling of transfer after tax is imposed and settled. Local provincial tax authorities can formulate their own implementation rules in accordance with the notice and local situation.

Pursuant to the notice, a property developer shall settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT tax rates. The LAT is required to be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT is required to be settled in stages. LAT must be settled if (1) the property development project has been completed and fully sold; (2) the property developer transfers the whole in completed development project; or (3) the land-use rights with respect to the project is transferred. In addition, the relevant tax authorities may require the developer to settle the LAT if either of the following criteria is met: (1) for completed property development projects, the transferred GFA represents more than 85% of total salable GFA, or the proportion represented is less than 85%, but the remaining salable GFA has been leased out or used by the developer; (2) the project has not been sold out for more than three years after obtaining the sale or pre-sale permit; (3) the developer applies for cancellation of the tax registration without having settled the relevant LAT; or (4) other conditions stipulated by the tax authorities.

The notice also indicates that if a property developer satisfies any of the following circumstances, the tax authorities will levy and collect LAT as per the levying rate no lower than the pre-payment rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (i) failure to maintain an account book as required by law or administrative regulation; (ii) destroying the account book without authorization or refusing to provide taxation information; (iii) the accounts are disorganized or illegible, or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or amount of deductible items; (iv) failure to go through LAT settlement within the prescribed period without being remedied within the period required by the relevant tax authorities; (v) the basis for tax calculation as submitted is obviously low without justifiable cause. Local provincial tax authorities can formulate their own implementation rules in accordance with the notice and local situation.

To further strengthen LAT collection, in May 2009, the State Administration of Taxation released the "Rules on the Administration of the Settlement of Land Appreciation Tax" (土地增值稅清算管理規程), which became effective on June 1, 2009. The rules reiterated the circumstances under which the LAT must be settled, the criteria that are to be met for relevant tax authorities to require the settlement of LAT and the circumstances under which the tax authorities shall levy and collect LAT as prescribed by the aforesaid notice issued on December 28, 2006. The rules further stipulate detailed procedures for the examination and verification of settlement of LAT to be carried out by relevant tax authorities.

On May 19, 2010, the SAT issued the "Circular on Issuers Concerning Settlement of Land Appreciation Tax" (關於土地增值稅清算有關問題的通知) to strengthen the settlement of LAT. The circular clarifies certain issues with respect to calculation and settlement of LAT, such as (i) the recognition of the revenue upon the settlement of LAT, and (ii) the deduction of fees incurred in connection with the property development.

On May 25, 2010, the SAT issued the “Notice on Strengthening the Collection Land Appreciation Tax” (關於加強土地增值稅徵管工作的通知), which requires the minimum LAT prepayment rate be 2% for provinces in the eastern region, 1.5% for provinces in the central and northeastern regions, and 1% for provinces in the western region. According to the notice, the local tax bureaus shall determine the applicable LAT prepayment rates based on the types of the properties.

(d) Deed tax

Pursuant to the “Interim Regulations of the People’s Republic of China on Deed Tax” (中華人民共和國契稅暫行條例) which were promulgated by the State Council on July 7, 1997 and became effective on October 1, 1997, the transferee, whether an entity or individual, of the title to a land site or building in the PRC shall have to pay deed tax. The rate of deed tax is 3%–5%. Provincial, regional or municipal governments directly under the central government may, within the aforesaid range, determine and report their effective tax rates to the MOF and the State Administration of Taxation for the record.

Pursuant to the “Notice on Adjustment of Preferential Treatment Policies in respect of Deed Tax and Business Tax on Real Estate Transactions” (關於調整房地產交易環節契稅、營業稅優惠政策的通知) promulgated by MOF, SAT and MOHURD on February 17, 2016 and implemented on February 22, 2016, the rate of deed tax payable for real estate transactions was adjusted downward as follows:

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

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

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

(e) Urban land use tax

Pursuant to the “Provisional Regulations of the People’s Republic of China Governing Land Use Tax in Cities and Towns” (中華人民共和國城鎮土地使用稅暫行條例) enacted by the State Council on September 27, 1988 and revised on December 31, 2006 and December 7, 2013, respectively, the land use tax in respect of urban land is levied according to the area of the relevant land. The annual tax as of January 1, 2007 shall be between RMB0.6 and RMB30.0 per square meter of urban land, calculated according to the tax rate determined by local tax authorities.

(f) Property tax

Under the “Interim Regulations of the People’s Republic of China on Property Tax” (中華人民共和國房產稅暫行條例) which were promulgated by the State Council on September 15, 1986 and became effective on October 1, 1986, property tax is 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental.

On January 27, 2011, the government of Chongqing Municipality issued the “Interim Measures Concerning Pilot Property Tax Scheme on Certain Personal Residential Properties” (關於進行對部分個人住房徵收房產稅改革試點的暫行辦法) and the “Implementation Rules for Collecting Administration Regarding Property Tax on Personal Residential Properties” (重慶市個人住房房產稅徵收管理實施細則), each became effective on January 28, 2011. The Chongqing government will execute the pilot scheme to impose property tax on personal residential properties within the nine major districts of Chongqing Municipality in stages from January 28, 2011. The first batch of personal properties subject to property tax include (i) stand-alone residential properties (such as villas) owned by individuals, (ii) high-end residential properties purchased by individuals on or after January 28, 2011, the purchase prices per square meter of which are two or more times of the average price of new residential properties developed within the nine major districts of Chongqing in the last two years, and (iii) the second or further ordinary residential properties purchased on or after January 28, 2011 by non-resident individuals in Chongqing who are not employed in and do not own an enterprise in Chongqing. Stand-alone residential properties (such as villas) and high-end residential properties that are priced less than three times, three to four times or more than four times of the average price per square meter of new residential properties developed within the nine major districts in the last two years will be subject to property tax at 0.5%, 1% or 1.2%, respectively, of the property’s purchase price. The second or further ordinary residential properties purchased on or after January 28, 2011 by non-resident individuals who are not employed in and do not own an enterprise in Chongqing will be subject to property tax at 0.5% of the property’s purchase price. The following area will be deductible from the tax base: (i) 180 sq.m. for stand-alone residential properties (such as villas) purchased before January 28, 2011, and (ii) 100 sq.m. for stand-alone residential properties (such as villas) and high-end residential properties purchased on or after January 28, 2011. The deductible area will apply to only one taxable residential property for one family, but not to any non-resident individual who is not employed in and does not own an enterprise in Chongqing.

On January 27, 2011, the government of Shanghai Municipality issued the “Interim Measures on Pilot Property Tax Scheme on Certain Personal Residential Properties in Shanghai” (上海市開展對部分個人住房徵收房產稅試點的暫行辦法), which provides that, within the territory of the administrative regions of the Shanghai Municipality, property tax will be imposed on any purchase of a second (or further) residential property by local residents or any purchase of a residential property by non-local residents on or after January 28, 2011, at rates ranging from 0.4% to 0.6% based on 70% of the purchase price of the property. These measures became effective on January 28, 2011.

(g) Stamp duty

Under the “Interim Regulations of the People’s Republic of China on Stamp Duty” (中華人民共和國印花稅暫行條例) enacted by the State Council on August 6, 1988 and enforced on October 1, 1988, for property rights transfer instruments, including those in respect of property ownership transfer, the rate of stamp duty is 0.05% of the amount stated therein; for permits and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty is levied at RMB5 per item.

(h) Municipal maintenance tax

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

In October 2010, the State Council issued the “Notice on Unification of the Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals” (關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), pursuant to which, from December 1, 2010, municipal maintenance tax is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals as well as domestic enterprises and individuals. Pursuant to the “Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-Invested Enterprises” (關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知) promulgated by the Ministry of Finance and the State Administration of Taxation in November 2010, foreign-invested enterprises must pay municipal maintenance tax on any value added tax, consumption tax and business tax incurred on or after December 1, 2010. However, foreign-invested enterprises are exempted from municipal maintenance tax on any value-added tax, consumption tax and business tax in current before December 1, 2010.

(i) Education surcharge

Under the “Interim Provisions on Imposition of Education Surcharge” (徵收教育費附加的暫行規定) enacted by the State Council on April 28, 1986 and revised on June 7, 1990 and August 20, 2005, a taxpayer, whether an entity or individual, of product tax, value-added tax or business tax is required to pay an education surcharge, unless such taxpayer is instead required to pay a rural area education surcharge as provided by the “Notice of the State Council on Raising Funds for Schools in Rural Areas.” (國務院關於籌措農村學校辦學經費的通知) Under the “Supplementary Notice Concerning Imposition of Education Surcharge” (國務院關於教育費附加徵收問題的補充通知) issued by the State Council on October 12, 1994, the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge For Enterprises with Foreign Investment and Foreign Enterprises and the Approval on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign Invested Freightage Enterprises, whether foreign-invested enterprises are subject to the education surcharge will be determined in accordance with notices issued by the State Council; and such tax is not applicable to enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

Pursuant to the aforesaid Unification of Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and individuals (關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), from December 1, 2010, an education surcharge is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals as well as domestic enterprises and individuals.

Pursuant to the aforesaid Notice on Relevant issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-invested Enterprises (關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知), foreign-invested enterprises must pay an education surcharge on any value-added tax, consumption tax and business tax incurred on or after December 1, 2010. However,

foreign-invested enterprises are exempted from paying an education surcharge on any value-added tax, consumption tax and business tax incurred before December 1, 2010.

I. Measures on adjusting the structure of housing supply and stabilizing housing price

The General Office of the State Council enacted the “Circular on Stabilizing Housing Price” (關於切實穩定住房價格的通知) on March 26, 2005, requiring measures to be taken to restrain the housing price from increasing too fast and to promote the healthy development of the property market.

On May 9, 2005, the General Office of the State Council revised the Opinion of the Ministry of Construction and other Departments on Doing a Good Job of Stabilizing House Prices, which provides the following:

(a) Intensifying the planning and control and improving the supply structure of houses

Where the housing price is growing excessively and where the supply of ordinary commodity houses in the medium or low price range, and economical houses is insufficient, construction of residential properties should mainly involve projects of ordinary commodity houses in the medium or low price range and economical houses. The construction of low-density, upmarket houses shall be strictly controlled. With respect to construction projects of medium- or low-price ordinary commodity houses, before any grant of land, the municipal planning authority shall, according to the level of control required, set out conditions for planning and design such as height of buildings, plot ratio and green space. The property authority shall, in collaboration with other relevant authorities, set forth such controlling requirements as sale price, type and apartment sizes. Such conditions and requirements will be set out as preconditions of land assignment to ensure an effective supply of small or medium-sized houses at moderate and low prices. The local government must intensify the supervision of planning permit for property development projects. Housing projects that have not commenced within two years must be examined again, and those that turn out to be not in compliance with the planning permits will be revoked.

(b) Intensifying the control over the supply of land and rigorously enforcing the administration of land

Where the price of land for residential use and residential properties grows too rapidly, the proportion of land for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses in the medium- or low-price range and economical house should be increased. Land supply for villa construction continues to be suspended, and land supply for high-end housing property construction is strictly restricted.

(c) Adjusting the policies of business tax on residential property house transfer and strictly regulating the collection and administration of tax

From June 1, 2005, the business tax on transfer of a residential property by an individual within two years of the purchase is levied on the basis of the full amount of the sale proceeds. Transfer of an ordinary residential property by an individual who sells two years or more after the purchase is exempted for business tax. For transfer of a house other than ordinary residential property by an individual two years or more after the purchase, the business tax is levied on the basis of the balance between the proceeds from selling the property and the purchase price.

(d) Rectifying and regulating for an orderly market

The buyer of a pre-completion commodity property is prohibited from conducting any transfer of the pre-sale commodity property that he has bought that is still under construction. A real name system for property purchase should be applied, and an immediate archival filing network system for advance sales contracts of commodity properties should be carried out.

On May 24, 2006, the State Council forwarded the "Opinion on Adjusting the Housing Supply Structure and Stabilizing Property Prices" (關於調整住房供應結構穩定住房價格的意見) (the "Opinion") of the Ministry of Construction and other relevant government authorities. The opinion provides the following:

(1) Adjusting the Housing Supply Structure

- Developers must focus on providing small- to medium-sized ordinary commodity properties at low- to mid-level prices to cater to the demands of local residents.
- As of June 1, 2006, newly approved and newly commenced building construction projects must have at least 70% of the total construction work area designated for small apartments with floor areas of 90 sq.m. or below (including economically affordable apartments). If municipalities directly under the central government, cities listed on state plans (計劃單列市) or provincial capital cities (省會城市) have special reasons to adjust such prescribed ratio, they must obtain special approval from the Ministry of Construction. Construction projects that have been approved but have not yet obtained a construction permit must follow the prescribed ratio.

(2) Further adjustments by tax, loan and land policies

- From June 1, 2006, business tax is levied on the full amount of the sale proceeds on conveyance of residential properties within a period of five years from the date of purchase. If an individual sells his ordinary standard apartment after five or more years from the date of purchase, business tax will normally be exempted. If an individual sells his non-ordinary apartment after five or more years from the date of purchase, business tax will be levied on the balance between the selling price and the purchase price.
- Commercial banks are not allowed to advance loan facilities to property developers which do not have the required 35% minimum of the total capital for the construction projects. Commercial banks should be prudent in granting loan facilities and/or revolving credit facilities in any form to the property developers who have a large number of idle lands and unsold commodity apartments. Banks shall not accept mortgages of commodity apartments remaining unsold for three years or more.
- According to regulations issued by CBRC, purchasers of homes equal to or smaller than 90 sq.m. are required to pay a minimum of 20% of the purchase price as down payment. If the purchased home is larger than 90 sq.m., a minimum of 30% of the purchase price as down payment is required, pursuant to a regulation from June 1, 2006. Furthermore, on September 27, 2007 PBOC and CBRC increased the minimum down payment for purchasers of second homes from 30% to 40% of the purchase price regardless of the size of the second home, if the purchaser obtained his or her first home through a mortgage. Moreover, the mortgage loan rates for subsequent mortgages are required to be not less

than 1.1 times the corresponding PBOC benchmark lending rates. Monthly mortgage payments are limited to 50% of an individual borrower's monthly income.

- At least 70% of the total land supply for residential property development must be used for developing small-to-medium-sized low-cost public housing. Based on the restrictions of residential property size ratio and residential property price, land supply will be granted by way of auction to the property developer who offers the highest bid. Land supply for villa construction will continue to be suspended, and land supply for low-density and large-area housing property construction will be restricted.
- The relevant authorities will levy a higher surcharge against those property developers who have not commenced the construction work for longer than one year from the commencement date stipulated in the construction contract and will order them to set a date for commencing the construction work and a date of completion. The relevant authorities will confiscate without compensation the land from those property developers who have not commenced the construction work beyond two years from the commencement date stipulated in the construction contract without proper reasons. The relevant authorities will dispose of the idle land of those property developers who have suspended construction work for one year without an approval, who have invested less than one-fourth of the total proposed investment and who have developed less than one-third of the total proposed construction area.

(3) Reasonably Monitoring the Scope and Progress of Demolition of Urban Housing

- The management and reasonable control of the scope and progress of the demolition of urban housing should be strengthened to halt "excessive property growth triggered by passive means" (被動性住房需求的過快增長).

(4) Further Rectifying and Regulating the Order of the Property Market

- In order to ensure that the prescribed ratio regarding types and sizes is followed, the relevant authorities will need to re-examine the approval of those construction projects which have been granted planning permits but have not been commenced. The relevant authorities will ensure that no planning permit (規劃許可證), construction permit (施工許可證) or permit for pre-sale of commodity properties (商品房預售許可證) are issued to those construction projects which do not satisfy the regulatory requirements, in particular, the prescribed ratio requirement. If the property developers, without an approval, alter the architectural design, the construction items, and exceed the prescribed ratio, the relevant authorities have the power to dispose of the land and to confiscate the land in accordance with the law.
- The property administration authority and the administration of industry and commerce will investigate illegal dealings such as contract fraud cases in accordance with the law. The illegal conduct of pre-completion sale of commodity apartments without satisfying all the conditions is prohibited and an administrative penalty will be imposed on offenders in accordance with the law. For property developers which deliberately manipulate the supply of commodity housing, the relevant authorities will impose substantial administrative penalties, including revoking the business licenses of serious offenders and pursuing personal liability for individuals concerned.

(5) Gradually relieving the housing demands for low-income families

- To expedite the establishment of low-cost public housing supply systems in various cities and counties; to monitor and regulate the construction of economically affordable apartments; to aggressively develop the second-hand property market and property rental market.

(6) Improving information disclosure system and system for collecting property statistics

On July 6, 2006, the Ministry of Construction promulgated a supplemental Opinion on Carrying Out the Residential Property Size Ratio in Newly-Built Residential Buildings (Jianzhufang 2006 No. 165) (關於落實新建住房結構比例要求的若干意見) (“the Supplemental Opinion”). The Supplemental Opinion provides the following:

- As of June 1, 2006, of the newly approved and newly commenced construction projects in different cities, including town and counties, at least 70% of the total construction area must be used for building small apartments with unit floor area of 90 sq.m. or below (including economically affordable apartments). The relevant authorities in different localities must strictly follow the prescribed ratio requirement in their respective locality.
- The relevant authorities must ensure the conditions of newly built commodity apartments including the planning and the design, and must ensure that the property size ratio is adhered to. If a property developer has not followed the ratio requirement without providing proper reasons, the town planning authorities will not issue a planning permit. If the property developer has not followed the requirements of the planning permit, the relevant authority reviewing the planning documents will not issue a certification, the construction authority will not issue a construction permit, and the property authority will not issue a permit for pre-completion sale of the commodity apartments.

In the case of construction projects that were granted approval before June 1, 2006 but that were not granted a construction work permit by that date, the relevant local governments in different localities should ascertain the details of the projects and ensure that the prescribed residential property size ratio requirement is complied with.

On September 27, 2007, PBOC and CBRC further tightened mortgage lending by PRC banks, by increasing the amount of down payment a property purchase must make before seeking mortgage financing. See “—Legal supervision relating to property sector in the PRC—F. Property financing.”

(e) Implementing restrictions on the payment terms for land use rights

On October 10, 2007, the Ministry of Land and Resources issued a regulation, which reiterated that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate or commence development on the land, effective on November 1, 2007.

Pursuant to the notice on Enlarging the Floating Range of the Downward Movement of Interest Rates for Individual Mortgage Loans, the PRC government lowered the minimum interest rate for individual mortgage loans to 70% of the corresponding PBOC benchmark bank lending rates. Further, the minimum down payment of residential properties was lowered to 20%.

On December 20, 2008, the General Office of the State Council issued the “Several Opinions on Facilitating the Healthy Development of the Real Estate Market,” (關於促進房地產市場健康發展的若干意見) which aims to, among other things, encourage the consumption of ordinary residential units and support property developers in changing market conditions. Pursuant to the opinion, in order to encourage the consumption of ordinary residential units, from January 1, 2009 to December 31, 2009, (i) business tax is imposed on the full amount of the sale price, upon the transfer of a non-ordinary residential unit by an individual within two years from the purchase date; (ii) for the transfer of a non-ordinary residential unit which has been held by the purchaser for more than two years from the purchase date and an ordinary residential unit which has been held by the purchaser for two years or less from the purchase date, the business tax is to be levied on the difference between the sale price and the purchase price; (iii) and in the case of an ordinary residential unit, business tax is fully exempted if that transfer occurs after two years from the purchase date. Furthermore, individuals with an existing ordinary residential unit that is smaller than the average size for their locality may buy a second ordinary residential unit under favorable loan terms similar to first time buyers. In addition, support for property developers to deal with the changing market is to be provided by increasing credit financing services to “low-to medium-level price” or “small- to medium-sized” ordinary commercial housing projects, particularly those under construction, and providing financial support and other related services to property developers with good credit standing for merger and acquisition activities.

On January 26, 2011, the State Council issued the “Notice on Further Strengthening Regulation and Control of Real Property Markets” (關於進一步做好房地產市場調控工作有關問題的通知), under which the transfer of all residential properties purchased and held by individuals for less than five years shall be subject to business tax based on total sale price from such transfer.

On January 27, 2011, the Ministry of Finance and the State Administration of Taxation jointly issued a new “Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties” (關於調整個人住房轉讓營業稅政策的通知), under which business tax is imposed on (i) the full amount of the transfer price upon the transfer of any residential property by an individual owner within five years from such individual owner’s purchase and (ii) the difference between the transfer price and the original purchase price upon the transfer of any non-ordinary residential property by an individual owner more than five years from such individual owner’s purchase. Business tax is exempted for ordinary residential properties if the transfer occurs after five years from the individual owner’s purchase. This notice became effective on January 28, 2011.

On February 26, 2013, the General Office of the State Council issued the “Notice on Continuing to Improve the Regulation and Control of the Real Estate Market” (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which among others, provides the following requirements: (i) limitations on the purchase of commodity properties must be strictly implemented, and the scope of such limitations must cover all newly constructed commodity properties and second-hand properties located within the entire administrative area of the city in question; (ii) for those cities with excessive growth in housing prices, the local counterparts of the PBOC may further increase down payment ratios and interest rates for loans to purchase second properties in accordance with the price control policies and targets of the corresponding local governments; (iii) the gains generated from the sale of a self-owned property shall be subject to individual income tax at a rate of 20%, if the original value of such property can be verified through historical information such as tax filings and property registration.

On November 24, 2014, the State Council promulgated the Interim Regulations on Real Estate Registration (不動產登記暫行條例), effective from March 1, 2015, which provides for the following, among others:

- i) the competent department of land and resources under the State Council shall be responsible for guiding and supervising the real estate registration of the State. The local government at or above the county level shall designate a department as the real estate registration authority within its administrative region which shall be subject to the guidance and supervision by the competent real estate registration authority at the higher level;
- ii) the real estate authority shall establish a uniform real estate registration book to record the items including, without limitation, the natural condition and ownership conditions of the real estate, and restriction of rights;
- iii) the competent department of land and resources under the State Council shall, in coordination with other related departments, establish a uniform management platform for real estate registration information. The information registered by the real estate registration authorities at all levels shall be incorporated into the uniform management platform to ensure the real-time sharing of registration information at the national, provincial, municipal and county levels; and
- iv) any right holder or interested party may inquire about or copy the real estate registration materials and the registration authority shall not refuse to provide such information. Units and individuals inquiring about the real estate registration information shall not use such registration information for any other purposes and no such information may be disclosed to the public or others without the consent of the right holder.

The “Implementing Rules of the Interim Regulations on Real Estate Registration” (不動產登記暫行條例實施細則), effective from January 1, 2016, authorizes the real estate registration authority to perform a site inspection following an acceptance of the application for real estate registration and sets out regulations regarding real estate registration information management.

On August 27, 2015, the MOHURD, the MOF and PBOC jointly issued the “Notice on the Adjustment of the Rate of the Minimum Down Payment for Personal Housing Loans from Housing Provident Fund” (關於調整住房公積金個人住房貸款購房最低首付款比例的通知) to further improve the policies on the personal housing loans from a housing provident fund and support the needs of depositing workers, under which, from September 1, 2015, with regard to families which have already owned one house and settled the housing payment, when applying for loans from the housing provident fund for a second housing so as to improve living conditions, the lowest down payment rate will be reduced from 30% to 20%.

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

improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%. On October 10, 2016, the MOHURD issued the “Circular on Further Regulating Operations of Real Estate Developers to Safeguard the Real Estate Market Order” (關於進一步規範房地產開發企業經營行為維護房地產市場秩序的通知), which requires that improper operations of real estate developers shall be investigated and punished according to law. The improper operations include releasing or spreading false housing information and advertisements, maliciously pushing higher and artificially inflating housing prices by fabricating or spreading information on rising property price and other operations.

On February 13, 2017, the Asset Management Association of China issued the “No.4 Administrative Rules for the Filing of Private Equity and Asset Management Plans Issued by Securities and Futures Institutions” (證券期貨經營機構私募資產管理計劃備案管理規範第4號) which suspends filings by securities and futures institutions for private equity and asset management plans investing in the ordinary residential real estate projects located in 16 cities in China, including Beijing, Shanghai, Guangzhou, Hefei, Suzhou, Hangzhou, Tianjin, Wuhan and Chengdu. It also prevents private equity and asset management plans from funding real estate development enterprises to make payment for land premiums or providing real estate development enterprises with working capitals by means of, among others, entering into entrusted loans and trust plans and transferring beneficial rights of assets.

Legal supervision relating to hotel sector in the PRC

A. Foreign invested hotel project

According to the Guidance Catalog, construction and operation of hotels falls within the category of “Permitted Foreign Investment Industry.” A foreign-invested enterprise investing in the hotel business can set up an enterprise in the form of sino-foreign equity joint venture, sino-foreign co-operative joint venture or wholly foreign-owned enterprise according to the Guidance Catalog and the requirements of the relevant laws and the administrative regulations on foreign-invested enterprises.

B. Hotel management

The procedures involved in hotel construction in China including obtaining approval for land use, project planning and project construction shall also be subject to the aforementioned regulations relating to property project development. There is currently no special authority in China responsible for the daily management of hotel business. The supervision of daily management of hotel business belongs to different authorities in accordance with the respective business scopes of different hotels. The supervision mainly includes the following:

(a) Legal supervision on security and fire control

Pursuant to the “Measures for the Control of Security in the Hotel Industry” (旅館業治安管理办法) issued by the Ministry of Public Security of the People’s Republic of China, enforced on November 10, 1987 and as amended on January 8, 2011, a hotel can operate only after obtaining an approval from the local public security bureau and a business license has been granted. The hotel enterprise should make a filing with the local public security bureau and its branches in the county or city, if hotel enterprise has any change including closing, transferring or merging of business, changing place of business and name, etc. Pursuant to the “Provisions on the Administration of Fire Control Safety of

State Organs, Organizations, Enterprises and Institutions” (機關、團體、企業、事業單位消防安全管理規定) which were promulgated by the Ministry of Public Security on November 14, 2001 and became effective on May 1, 2002, hotels (or motels) are units which require special supervision on fire control and safety. When a hotel is under construction, renovation or re-construction, a fire control examination procedure is required and when the construction, renovation or re-construction project is completed, a hotel can only open for business after passing a fire control inspection.

(b) Supervision on public health

According to relevant regulations and rules in relation to public health, hotels fall in the scope of public health supervision. The operating enterprise should acquire the sanitation license. The measures for granting and managing the sanitation license are formulated by public health authority of province, autonomous region, and municipality directly under the central government. The sanitation license is signed by the relevant public health administration and the public health and epidemic prevention institutions grant the license. The sanitation license should be reviewed once every two years.

(c) Supervision on food hygiene

According to the relevant regulations and rules in relation to food hygiene supervision, hotels operating catering services should obtain food hygiene licenses. Food hygiene licenses are granted by food hygiene administrative bodies above county level. The purchase, reserve and processing of food, tableware, and service should meet relevant requirements and standards of food hygiene.

(d) Supervision on entertainment

According to the “Regulation on the Administration of Entertainment Venues” (娛樂場所管理條例) enacted by the State Council on January 29, 2006 and enforced on March 1, 2006, hotels that operate singing, dancing and game places for profits are required to apply to the relevant local competent departments for culture administration for entertainment commercial operation approval. The relevant local competent departments for entertainment administration shall issue a license for entertainment business operations, which verifies the number of consumers acceptable to the entertainment venues according to the prescriptions set down by the competent department governing entertainment administrations under the State Council if it approves the relevant local application. According to the regulations concerning broadcast, movie and TV, hotels above three-star or the second rank of the national standards may apply to local broadcast and television administration of the county or above for setting ground equipment receiving satellite signal to receive entertainment programs from abroad. After finishing setting ground equipment and gaining the approval from broadcast and television administration from the relevant provincial, regional and municipal government and the approval from state security administration, the permit of receiving foreign television program from satellite is issued.

(e) Supervision on disposition of sewage and pollutants

According to Decision on Setting Administrative Licensing on Items Requiring Administrative Approval that Really Need Reserved (國務院對確需保留的行政審批項目設定行政許可的決定) enacted by the State Council on June 29, 2004, effective on July 1, 2004 and as amended on January 29,

2009, hotels that have been using or planning to use the city sewage system for water drainage are required to apply to the local city construction authority for a city water-draining permit.

(f) Supervision on special equipment security

Equipment such as elevators (lifts or escalators), boilers and pressure containers, are special equipment. According to the “Regulations on Security Supervisal of Special Equipment” (特種設備安全監察條例) which were promulgated by the State Council on March 11, 2003 and became effective on June 1, 2003, as amended on January 24, 2009, hotels are required to register with the special equipment security supervision authority of municipal government or city which has set up districts, and are required to apply for inspection regularly with the special equipment examination institution a month before the expiration of security examination according to the requirement of regular examination by technical security standard.

(g) Supervision on sale of tobacco and alcohol

According to law and regulations in relation to sale of tobacco, hotels that sell tobacco should apply to the tobacco monopoly administration for a Tobacco Monopoly Retail License. According to the Guidance Catalog a foreign-invested enterprise that operates wholesale and retail is not allowed to operate in tobacco business. According to the “Food Safety Law of the PRC” (中華人民共和國食品安全法), a licensing system will be implemented for the food production and trading. Any enterprise which engages in food production, food selling (including the sale of alcohol) or catering services shall obtain the license from the competent food and drug administrations authorities.

Legal supervision relating to property management sector in the PRC

A. Foreign-invested real estate management enterprises

According to the Guidance Catalog, property management falls within the category of permitted foreign-invested industries. According to the Guidance Catalog and the relevant requirements under the laws and the administrative regulations on foreign-invested enterprises, a foreign-invested real estate management enterprise can be set up in the form of a sino-foreign equity joint venture, a sino-foreign cooperative joint venture or a wholly foreign owned enterprise.

B. Qualifications of a real estate management enterprise

According to the “Regulation on Real Estate Management” (物業管理條例) enacted by the State Council on June 8, 2003 and enforced on September 1, 2003, as amended on August 26, 2007 and effective on October 1, 2007, the state implements a qualification scheme system in monitoring the real estate management enterprises. According to the “Measures for Administration of Qualifications of Real Estate Service Enterprises” (物業服務企業資質管理辦法) which were promulgated by the Ministry of Construction on March 17, 2004 and became effective on May 1, 2004, as amended on November 26, 2007, a newly established real estate service enterprise is required to, within 30 days from the date of receiving its business license, apply to the relevant local bureau in charge of the property management under the local government or to the municipalities directly under the central government for a grading assessment. The departments of qualification examination and approval will check and issue a “real estate service qualification certificate” corresponding to their grading assessment results.

According to the Measures for the Administration on Qualifications of Real Estate Service Enterprises, real estate service enterprise shall be classified as either class one, class two or class three. The competent construction department of the State Council is responsible for the issuance and administration of the qualification certificate for class one real estate service enterprises. The competent construction departments of the relevant provincial and regional government is responsible for issuing and administrating the qualification certificate for class two real estate service enterprises, and the competent realty departments of the relevant municipal government is responsible for issuing and administrating the qualification certificate for class two and three real estate service enterprises. The competent realty departments of the people's governments of the cities divided into districts shall be responsible for the issuance and administration of the qualification certificate of the class three real estate service enterprises.

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

C. Employment of a real estate service enterprise

According to the Regulation on Real Estate Management, owners may engage or dismiss a property management company with the consent of more than half of the owners who in the aggregate hold more than 50% of the total non-communal area of the building. If, before the formal employment of a property management company by the owners or the general meeting, the property developer shall enter into a preparation stage property services contract in writing with the real estate management enterprise.

Legal supervision relating to construction sector in the PRC

A. Foreign-invested construction enterprise

According to the Guidance Catalog, construction business falls within the category of permitted foreign investment industries.

B. The qualification of a construction enterprise

According to Construction Law of the PRC and the "Provisions on the Administration of Qualifications of Enterprises in Construction Industry" (建築業企業資質管理規定), which was promulgated by the MOHURD on January 22, 2015 and became effective on March 1, 2015, and other relevant regulations, the enterprises in the construction industry shall be classified into different qualification classes pursuant to, amongst other things, the amount of its net asset value, professional personnel, technical equipment and performance records of completed construction works. A construction enterprise can engage in construction activities within its approved scope after obtaining the construction qualification certificate.

According to above-mentioned Provisions on the Administration of Qualifications of Enterprises in Construction Industry, the qualifications will be divided into three categories, namely, that for undertaking the whole of a construction project, that for undertaking a specialized contract and that for undertaking a labor service by subcontract. The categories of qualifications for

undertaking the whole of a construction project, undertaking a specialized contract and undertaking a labor service by subcontract are divided into several qualification types according to the nature of the project and technical features. Each qualification type is further divided into several classes according to the prescribed conditions.

The department in charge of construction under the State Council is responsible for the approval of the qualification of special class or first class enterprises for undertaking the whole of a construction project, the second class enterprises for undertaking the whole of a railway construction project, the qualification of the first class enterprises in highways, water carriage, water resources, railway, and airline industry and the second class enterprises in railway or airline for undertaking the specialized contract, and the qualification of first class enterprises for undertaking the specialized contract involving several specialties. The administrative department in charge of construction of the relevant provincial, autonomous regional or municipal government at the place where the concerned enterprise is registered is responsible for the approval of the qualification of the second class enterprises for undertaking the whole of a construction project, the third class enterprises for undertaking the whole of a railway or communication engineering construction project, the first and second class enterprises for undertaking a specialized contract, the third class enterprises for undertaking a specialized contract in railway as well as qualification for undertaking a specialized contract for special projects, except for those required to be approved by the department in charge of construction under the State Council. The administrative department in charge of construction of the relevant city government at the place where the concerned enterprise is registered is responsible for the approval of the qualification of the third class enterprises for undertaking the whole of a construction project, the third class enterprises for undertaking a specialized contract, qualification for undertaking a specialized contract in respect of premixed concrete and formwork scaffolds, the qualification of an enterprise of labor service by subcontract or gas appliance installation and repair, except for those required to be approved by the department in charge of construction under the State Council or at the provincial level.

According to the "Measures of the Ministry of Construction for the Implementation of the Relevant Qualification Administration Provided in the Provisions on the Administration of Foreign Funded Construction Enterprises" enacted by the Ministry of Construction and enforced on April 8, 2003, where a foreign enterprise purchases a domestic-funded construction enterprise, and the enterprise is restructured into a foreign-funded construction enterprise, the qualification of that enterprise is reviewed anew according to the standard it actually meets.

According to the Regulation on the Quality Management of Construction Projects an enterprise which undertakes a project without obtaining the qualification certificate for enterprises in the construction industry shall be banned, and be imposed a fine of 2% to 4% of the contractual price of the project. If it obtains any illegal proceeds, such proceeds shall be confiscated.

C. The business scope of qualifications for a wholly foreign owned construction enterprise

According to the Regulations on the Administration of Foreign-invested Construction Enterprise, a wholly foreign owned construction enterprise is allowed to contract, within its scope of qualifications, the following projects: (a) a project that is to be constructed totally with the investment of a foreign country or the donation of a foreign country or the investment and donation of a foreign country; (b) a project funded by an international financial institution or

granted through international bidding according to terms of loan; (c) a joint construction project of which foreign investment holds 50% or more, and a sino-foreign joint construction enterprise in which foreign investment holds less than 50% but which cannot be independently implemented by any Chinese construction enterprise due to technical difficulties and has been approved by the administrative department of construction of the relevant provincial, regional or municipal government; and (d) a construction project using Chinese investment but that cannot be independently implemented by any Chinese construction enterprise due to technical difficulties and for which the administrative department of construction of the relevant provincial, regional or municipal government has approved being jointly contracted by Chinese and foreign construction enterprises.

Regulation on foreign exchange registration of offshore investment by PRC residents

In July 2014, Circular No. 75 was abolished by SAFE and was superseded by the Notice Regarding Certain Issues on the Foreign Exchange Administration on the Offshore Investment and Financing and Round-trip Investment by PRC Residents through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), or Circular No. 37.

Circular No. 37 and other SAFE rules require PRC residents, including both legal and natural persons, to register with the local banks before making capital contribution to any company outside of China (an "offshore SPV") with onshore or offshore assets and equity interests legally owned by PRC residents. In addition, any PRC individual resident who is the shareholder of an offshore SPV is required to update its registration with the local banks with respect to that offshore SPV in connection with change of basic information of the offshore SPV such as its company name, business term, the shareholding by individual PRC resident, merger, division and with respect to the individual PRC resident in case of any increase or decrease of capital in the offshore SPV, transfer of shares or swap of shares by the individual PRC resident. Failure to comply with the required SAFE registration and updating requirements described above may result in restrictions being imposed on the foreign exchange activities of the PRC subsidiaries of such offshore SPV, including increasing the registered capital of, payment of dividends and other distributions to, and receiving capital injections from the offshore SPV. Failure to comply with Circular No. 37 may also subject the relevant PRC residents or the PRC subsidiaries of such offshore SPV to penalties under PRC foreign exchange administration regulations for evasion of applicable foreign exchange restrictions.

On December 26, 2017, NDRC issued the "Administrative Measures for the Outbound Investment of Enterprises" (企業境外投資管理辦法), or the Measures, effective from March 1, 2018. Under the Measures, sensitive outbound investment projects carried out by PRC enterprises either directly or through overseas enterprises under their control shall be approved by NDRC, and non-sensitive outbound investment projects directly carried out by PRC enterprises shall be filed with NDRC or its local branch at provincial level. In the case of the large-amount non-sensitive outbound investment projects with the investment amount of USD300 million or above carried out by PRC enterprises through the overseas enterprises under their control, such PRC enterprises shall, before the implementation of the projects, submit a report describing the details about such large-amount non-sensitive projects to NDRC. Where the PRC resident natural persons make outbound investments through overseas enterprises under their control, the Measures shall apply mutatis mutandis.

Management

The following table sets forth certain information with respect to our directors and senior management as of the date of this offering memorandum.

Name	Age	Title
Mr. Yeung Kwok Keung	63	Chairman and Executive Director
Ms. Yang Huiyan	36	Vice Chairman and Executive Director
Mr. Mo Bin	50	President and Executive Director
Ms. Yang Ziyang	30	Executive Director
Mr. Yang Zhicheng	44	Executive Director
Mr. Xie Shutai	53	Executive Director
Mr. Song Jun	50	Executive Director
Mr. Liang Guokun	59	Executive Director
Mr. Su Baiyuan	52	Executive Director
Mr. Chen Chong	39	Non-Executive Director
Mr. Lai Ming, Joseph	73	Independent Non-Executive Director
Mr. Shek Lai Him, Abraham	72	Independent Non-Executive Director
Mr. Tong Wui Tung	67	Independent Non-Executive Director
Mr. Huang Hongyan	47	Independent Non-Executive Director
Mr. Mei Wenjue	47	Independent Non-Executive Director
Mr. Yeung Kwok On	56	Independent Non-Executive Director
Mr. Cheng Guangyu	37	Vice President
Mr. Chen Bin	48	Vice President
Mr. Wang Shaojun	52	Vice President
Mr. Li Xiaolin	45	Vice President
Mr. Peng Zhibin	44	Vice President
Mr. Lin Zhaoxian	53	Chief Strategy Officer
Ms. Wu Bijun	44	Vice President and Chief Financial Officer
Mr. Zhang Zhiyuan	44	Vice President
Ms. Yang Cuilong	46	Vice President
Ms. Yang Lixing	47	Vice President
Mr. Huang Yuzhuang	42	Vice President
Ms. Chen Liyan	43	Vice President
Mr. Zhu Jianmin	40	Vice President
Mr. Zhang Jintang	38	Vice President
Mr. Liu Senfeng	41	Vice President
Mr. Xie Jinxiong	46	Vice President
Mr. Liu Ning	50	Vice President
Mr. Leung Chong Shun	52	Company Secretary

Directors

Our board currently consists of 16 directors, six of whom are independent non-executive directors. Mr. Mo Bin was appointed as our president and executive director in July 2010. Ms. Yang Ziying was appointed as our executive director in May 2011. Mr. Huang Hongyan was appointed as our independent non-executive director in December 2012. Mr. Xie Shutai, Mr. Song Jun and Mr. Liang Guokun were appointed as our executive directors in May 2013. Mr. Mei Wenjue was appointed as our independent non-executive director in May 2013. Mr. Su Baiyuan was appointed as our executive director in December 2013. Mr. Yeung Kwok On was appointed as our independent non-executive director in April 2014. Mr. Chen Chong was appointed as our non-executive director in December 2016. All the remaining directors were appointed in December 2006.

Executive directors

Yeung Kwok Keung (楊國強), aged 63, was appointed as our chairman and an executive director in December 2006. Mr. Yeung is also the chairman of our nomination committee, corporate governance committee and executive committee, a member of our remuneration committee and a director of our various members. Mr. Yeung is responsible for the formulation of development strategies, investment planning and overall project planning as well as ensuring the board functions properly with good corporate governance practice. From 1992 to 1997, Mr. Yeung was the general manager of Shunde Sanhe Property Development Co., Ltd. (順德市三和物業發展有限公司) (“Shunde Sanhe Co.”), the real estate business in which Mr. Yeung was engaged before he founded our Group. From 1986 to 1997, Mr. Yeung served as the general manager and the chairman of Shunde Beijiao Construction Company Limited (順德市北濠建築工程有限公司) (“Beijiao Construction Co.”) and also served as our general manager from 1997 to 2003. He has been the chairman of our board since our Company was listed in 2007. Mr. Yeung has over 39 years of experience in construction and over 25 years of experience in property development. Mr. Yeung was awarded “China Charity Outstanding Contributions Person” and “Top Ten Contributions Persons to China Real Estate” in 2009, “China Real Estate Entrepreneur Charity Award” and “Person of China Real Estate” in 2010, “Individual under Non-collectively Own Category for Helping Poverty in Guangdong” in 2011, “2012 China Corporate Social Responsibility Award for Outstanding Entrepreneur” in 2012, “2015 China Poverty Eradication Award” in 2015 as well as “China Charity Award-The Most Caring Contributing Individual” in 2016. Mr. Yeung is currently a member of the 12th National Committee of the Chinese People’s Political Consultative Conference (全國政協委員) and “The Honorable Director of Tsinghua University”. Mr. Yeung is the father of Ms. Yang Huiyan, our vice chairman, executive director and controlling shareholder; the father of Ms. Yang Ziying, our executive director; the uncle of Mr. Yang Zhicheng, our executive director; and the father-in-law of Mr. Chen Chong, our non-executive director.

Yang Huiyan (楊惠妍), aged 36, was appointed as our executive director in December 2006 and our vice chairman in March 2012. Ms. Yang is also a member of our corporate governance committee, executive committee and finance committee and a director of several of our members. Ms. Yang graduated from Ohio State University with a bachelor degree in marketing and logistics. She joined us in 2005 and served as the manager of our procurement department. Currently, she is primarily responsible for the formulation of our development strategies. Ms. Yang is a director and chairperson of Bright Scholar Education Holdings Limited, a company whose shares are listed on the New York Stock Exchange. Ms. Yang was awarded “China Charity Award Special Contribution Award” in 2008. Ms. Yang is the daughter of Mr. Yeung Kwok

Keung, our chairman and executive director; the sister of Ms. Yang Ziying and a cousin of Mr. Yang Zhicheng, both being our executive director; and the wife of Mr. Chen Chong, our non-executive director.

Mo Bin (莫斌), aged 50, was appointed as our president and executive director in July 2010. Mr. Mo is also a member of our remuneration committee, corporate governance committee, executive committee and finance committee and a director of several of our members. Mr. Mo graduated from Hengyang Institute of Technology (衡陽工學院) (currently known as “University of South China” (南華大學)) with a bachelor degree in industrial and civil architecture. He obtained his postgraduate degree from Zhongnan University of Economics and Law (中南財經政法大學) and is a professor-grade senior engineer. Mr. Mo is primarily responsible for the management of our daily operation and general administration. Prior to joining us, Mr. Mo was employed by an internationally competitive construction and property group in the PRC, China State Construction Engineering Corporation (中國建築工程總公司) (“China Construction”), in a number of senior positions since 1989, most recently as a director and general manager of China Construction Fifth Engineering Division Corp., Ltd. (中國建築第五工程局有限公司) (“China Construction Fifth Division”). Mr. Mo has over 27 years of extensive experience in property development, construction business, construction management, marketing, cost control and corporate management.

Yang Ziying (楊子瑩), aged 30, was appointed as our executive director in May 2011. Ms. Yang is also a member of our executive committee and a director of several of our members. Ms. Yang graduated from Ohio State University with a bachelor degree in psychology. Ms. Yang joined us in 2008 as an assistant to the chairman. Currently, she is primarily responsible for overseeing our finance, including offshore and onshore financing. Prior to joining us, Ms. Yang worked in a renowned global investment bank. Ms. Yang is the daughter of Mr. Yeung Kwok Keung, our chairman and executive director; the sister of Ms. Yang Huiyan, our vice chairman, executive director and controlling shareholder; a cousin of Mr. Yang Zhicheng, our executive director; and a sister-in-law of Mr. Chen Chong, our non-executive director.

Yang Zhicheng (楊志成), aged 44, was appointed as our executive director in December 2006, our regional president, a member of our executive committee and finance committee. He is primarily responsible for the overall development and management of our certain property development projects. Prior to joining us in 1997, Mr. Yang served as a project manager of Shunde Sanhe Co. and the general manager of Foshan Shunde Jun’an Country Garden Property Development Co., Ltd. (佛山市順德區均安碧桂園物業發展有限公司). After joining us, he served as our project general manager. Mr. Yang has approximately 23 years of experience in project development. Mr. Yang is a nephew of Mr. Yeung Kwok Keung, our chairman and executive director; a cousin of Ms. Yang Huiyan, our vice chairman, executive director and controlling shareholder; a cousin of Ms. Yang Ziying, our executive director; and a cousin-in-law of Mr. Chen Chong, our non-executive director.

Xie Shutai (謝樹太), aged 53, was appointed as our executive director in May 2013. Mr. Xie graduated from Hunan University (湖南大學) with a bachelor degree in engineering and is a qualified PRC civil engineer. He is primarily responsible for the overall management and supervision of our certain property development projects as well as the overall management of our hotel management, business management and property management companies. Prior to joining us in 1997, Mr. Xie worked in Hengyang City Construction Institute (衡陽市建築設計研究院) from 1986 to 1991 and was responsible for structural design work. He also worked in Shunde Sanhe Co. from 1992 to 1997 and was responsible for property management. Since 1997, he has been working in Shunde Country Garden and Guangdong Country Garden Property Management

Co., Ltd. and was responsible for our overall property and hotel management, and served as our vice president from 2007 to May 2013. Mr. Xie has 25 years of experience in property management and approximately 20 years of experience in hotel management.

Song Jun (宋軍), aged 50, was appointed as our executive director in May 2013. Mr. Song graduated from Chongqing College of Construction and Architecture (重慶建築工程學院) (currently known as “Chongqing University” (重慶大學)) with a bachelor degree in engineering and is a qualified PRC architect. Prior to joining us in 1994, Mr. Song worked in Hunan Province Jishou City Construction Institute (湖南省吉首市建築規劃勘察設計院) and Guangdong Elite Architectural Co., Ltd. (“Elite Architectural”) and was responsible for architectural design work. Since 1997, he has been serving as a project manager and a general manager of Shunde Country Garden and Guangzhou Country Garden Company, and has been serving as our vice president since 2005, and has been responsible for the management of our property project development. Currently, Mr. Song is responsible for the overall operation, management and sustainable development of our property projects in certain regions. Mr. Song has 20 years of experience in the management of property development.

Liang Guokun (梁國坤), aged 59, was appointed as our executive director in May 2013. Mr. Liang is primarily responsible for our landscape design and gardening system management and supervision. Prior to joining us in 1999, Mr. Liang worked in Chung Shan Hot Spring Golf Club (中山溫泉高爾夫球會俱樂部) from 1985 to 1994. He also worked in Dongguan Yin Li Golf Club (東莞銀利外商俱樂部), Shenzhen Mission Hills Golf Club (深圳觀瀾湖高爾夫球會) and Shenzhen Longgang Green Club (深圳龍崗綠色俱樂部) (currently known as “Citic Green Golf Club (中信綠色高爾夫球會)”) in a number of senior positions, from 1994 to 1999. Mr. Liang has been serving as our vice president since 2011. Mr. Liang has 32 years of experience in golf course design management and landscape design management.

Su Baiyuan (蘇柏垣), aged 52, was appointed as our executive director in December 2013. Mr. Su graduated from Guangzhou Normal Institute (廣州師範學院) (currently known as “Guangzhou University” (廣州大學)), with a degree in geography and obtained a postgraduate degree in human geography from Sun Yat-Sen University (中山大學). Prior to joining us in 2005, Mr. Su had over 10 years of experience in land planning and development as well as operational management. Mr. Su was our vice president until February 2013, and was primarily responsible for investment development and the overall management of our certain property development projects. Currently, Mr. Su is primarily responsible for overseas development and the management of our certain overseas property development projects.

Non-executive director

Chen Chong (陳翀), aged 39, was appointed as our non-executive director in December 2016. Mr. Chen graduated from Tsinghua University (清華大學) with a bachelor of science degree in chemistry. He also obtained a master of science degree in Biological Sciences Research from Royal Holloway and Bedford New College, University of London. In 2015, Mr. Chen was appointed as the First President of the Overseas Study Youth Association of Guangdong Province. Mr. Chen is the son-in-law of Mr. Yeung Kwok Keung, our chairman and executive director; the husband of Ms. Yang Huiyan, our vice chairman and executive director and controlling shareholder; a brother-in-law of Ms. Yang Ziyang, our executive director; and a cousin-in-law of Mr. Yang Zhicheng, our executive director.

Independent non-executive directors

Lai Ming, Joseph (黎明), aged 73, was appointed as our independent non-executive director in December 2006 and is currently the chairman of our audit committee and a member of our remuneration committee and nomination committee. Mr. Lai is a fellow member of Hong Kong Institute of Certified Public Accountants (“HKICPA”), CPA Australia, the Chartered Institute of Management Accountants (“CIMA”) and the Hong Kong Institute of Directors. Mr. Lai was one of the co-founders of the Hong Kong Branch of CIMA founded in 1973 and was its president in 1974/75 and 1979/80. He was the president of the HKICPA in 1986. Mr. Lai is an independent non-executive director of Jolimark Holdings Limited and retired as an independent non-executive director of Yuhua Energy Holdings Limited (formerly known as “Shinhint Acoustic Link Holdings Limited”) on May 23, 2014 and Guangzhou R&F Properties Co., Ltd. on May 19, 2017, all of which are companies whose shares are listed on the Hong Kong Stock Exchange. Mr. Lai also holds directorships in several private companies engaging in property development in Canada. He is also an independent non-executive director of Nan Fung Group Holdings Limited.

Shek Lai Him, Abraham (石禮謙) G.B.S., J.P., aged 72, was appointed as our independent non-executive director in December 2006 and is currently a member of our audit committee and remuneration committee. Mr. Shek graduated from the University of Sydney and holds a bachelor of arts degree and a Diploma in Education. He was appointed as a Justice of the Peace in 1995 and was awarded the Gold Bauhinia Star by the government of the HKSAR in 2013. He is a member of the HKSAR Legislative Council representing the Real Estate and Construction Functional Constituency, a member of the Court of Hong Kong University of Science and Technology, a member of Court and Council of University of Hong Kong, a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption (ICAC) and has retired from the Independent Police Complaints Council as a vice chairman since January 1, 2015. Mr. Shek is also a director of the Board of Construction Industry Skills Training Centre Limited, a non-profit organization, with effect from April 21, 2017. Mr. Shek is an independent non-executive director of Midas International Holdings Limited, Lifestyle International Holdings Limited, NWS Holdings Limited, Hop Hing Group Holdings Limited, MTR Corporation Limited, SJM Holdings Limited, Paliburg Holdings Limited, Lai Fung Holdings Limited, Chuang’s Consortium International Limited, China Resources Cement Holdings Limited and Cosmopolitan International Holdings Limited, the vice chairman and an independent non-executive director of ITC Properties Group Limited, the chairman and an independent non-executive director of Chuang’s China Investments Limited, and an independent non-executive director and chairman of nomination committee of Goldin Financial Holdings Limited, all of which are companies whose shares are listed on the Hong Kong Stock Exchange, as well as a non-executive director of Mandatory Provident Fund Schemes Authority. Mr. Shek is also an independent non-executive director of Eagle Asset Management (CP) Limited (the manager of Champion Real Estate Investment Trust) and Regal Portfolio Management Limited (the manager of Regal Real Estate Investment Trust), both trusts are listed on the Hong Kong Stock Exchange. Mr. Shek ceased to be an independent non-executive director of Hsin Chong Group Holdings Limited with effect from May 12, 2014, of TUS International Limited (formerly known as “Jinheng Automotive Safety Technology Holdings Limited”) with effect from January 6, 2017, and of PT International Development Corporation Limited (formerly known as ITC Corporation Limited) with effect from March 28, 2017, all of which are companies whose shares are listed on the Hong Kong Stock Exchange, and of Dorsett Hospitality International Limited with effect from March 11, 2016, whose shares had been withdrawn from listing on the Hong Kong Stock

Exchange since October 16, 2015 and a non-executive director of The Hong Kong Mortgage Corporation Limited since April 25, 2016.

Tong Wui Tung (唐滙棟), aged 67, was appointed as our independent non-executive director in December 2006. He is the chairman of our remuneration committee and a member of our audit committee and nomination committee. He has been practicing as a solicitor in Hong Kong for over 36 years and is a partner of the law firm, Messrs. Cheung Tong & Rosa Solicitors. He is also a Notary Public and a China Appointed Attesting Officer, and is admitted as a solicitor in several other jurisdictions. Mr. Tong is currently a non-executive director of Yip's Chemical Holdings Limited, a company whose shares are listed on the Hong Kong Stock Exchange.

Huang Hongyan (黃洪燕), aged 47, was appointed as our independent non-executive director in December 2012 and is currently a member of our audit committee, nomination committee and remuneration committee. Mr. Huang graduated from the Department of Finance, the School of Economics of Jinan University and holds a bachelor of international finance degree, and is also qualified as a Chinese certified public accountant, a Chinese certified tax agent, a Chinese certified public valuer, a certified internal auditor and a corporate accountant. Currently, Mr. Huang serves as a general manager of Foshan Yestar Consulting Co., Ltd.. Mr. Huang is an independent non-executive director of C&S Paper Co., Ltd. and an independent director of Guangdong Transtek Medical Electronics Co., Ltd. since June 5, 2013 whose shares are listed on the Shenzhen Stock Exchange with effect from November 16, 2016, whose shares are listed on the Shenzhen Stock Exchange. Mr. Huang ceased to be an independent non-executive director of Guangdong Vanward New Electric Co., Ltd., whose shares are listed on the Shenzhen Stock Exchange, with effect from January 1, 2016.

Mei Wenjue (梅文瑀), aged 47, was appointed as our independent non-executive director in May 2013. Mr. Mei graduated from Sun Yat-Sen University with a bachelor degree in English language and literature and a master degree in public administration, and obtained a master degree in business administration from the School of Management of Cranfield University in United Kingdom. Mr. Mei served as a director of safety management system office, the secretary of safety committee and safety information manager of China Southern Airlines Company Limited ("CSA"), the deputy representative of CSA in the safety security and quality functional executives of Sky Team. Mr. Mei also served as the chief representative of the Shenzhen Office of China Europe International Business School. Currently, Mr. Mei serves as the chief executive officer of Reocar Rental Chain Group (瑞卡連鎖租車集團), and a director of Sichuan Huapu Modern Agriculture Co., Ltd. (四川華朴現代農業股份有限公司) since March 28, 2015 whose shares have been listed on the National Equities and Quotations in the PRC with effect from July 18, 2016. Mr. Mei ceased to be an independent non-executive director of Miko International Holdings Limited with effect from March 24, 2016, a company whose shares are listed on the Hong Kong Stock Exchange.

Yeung Kwok On (楊國安), aged 56, was appointed as our independent non-executive director on April 1, 2014. Mr. Yeung obtained his doctoral degree in Strategic Human Resource Management at the University of Michigan in 1990 and a master degree in Management at the University of Hong Kong (香港大學) (Faculty of Social Sciences) in 1986. Mr. Yeung is a senior management advisor of Tencent Group, president of Y-Triangle Organizational Learning Oasis, and adjunct management professor at China Europe International Business School. Mr. Yeung served as the chief human resources officer of Acer Group from early 1999 to June 2002. He was also an independent non-executive director of Trina Solar Limited, shares of which have been withdrawn from listing on the New York Stock Exchange since March 13, 2017. Currently, Mr. Yeung serves

as an independent non-executive director of SITC International Holdings Company Limited, a company whose shares are listed on the Hong Kong Stock Exchange.

Chief financial officer

Wu Bijun (伍碧君), aged 43, has been appointed as our vice president since April 2014 and the chairman of our finance committee and chief financial officer since April 1, 2017. See “—Senior management—Wu Bijun” below.

Senior management

Cheng Guangyu (程光煜), aged 37, is our vice president. Mr. Cheng graduated from Department of Civil Engineering of Tsinghua University with a bachelor and doctoral degree in civil engineering in 2002 and 2007 respectively, and from Guanghua School of Management of Peking University with an EMBA degree in 2015. Mr. Cheng joined us in 2007 and has been responsible for overall operation management and sustainable development of property projects in certain regions under his supervision since 2012. Since 2014, Mr. Cheng has been primarily responsible for our overall sales and marketing management. Mr. Cheng has six years of experience in civil engineering research and nine years of experience in management of property development.

Chen Bin (陳斌), aged 48, has been our vice president since May 2015. Mr. Chen graduated from Dongnan University with a bachelor degree in industrial and civil architecture engineering, an MBA (Kellogg-HKUST), and is a qualified PRC senior engineer. Prior to joining us in May 2015, Mr. Chen worked in China Overseas Grand Oceans Group Ltd. as an executive director and the chief executive officer. Mr. Chen is a member of The Society of Professional Engineers, The Chartered Association of Building Engineers and The Chartered Institute of Building (Hong Kong). Mr. Chen has 23 years of management experience in construction business and personnel administration.

Wang Shaojun (王少軍), aged 52, is our vice president. Mr. Wang graduated from Harbin Institute of Architecture and Engineering (哈爾濱建築工程學院) (currently known as “Civil Engineering School of Harbin Institute of Technology” (哈爾濱工業大學土木工程學院)) with a bachelor degree in industrial and civil architectures and a master degree in structural engineering and is a qualified PRC senior civil engineer. Prior to joining us in 2013, Mr. Wang worked in Dalian Wanda Commercial Properties Co., Ltd. as the general manager of its Guangzhou company and was responsible for property development; and worked in Fantasia Holdings Group Co. Ltd. as the executive vice president and was responsible for the management and operation of property development business. Mr. Wang has 24 years of experience in management of property development.

Li Xiaolin (黎曉林), aged 45, is our vice president. Mr. Li graduated from Department of Civil Engineering of Tsinghua University with a bachelor degree of architecture and structural engineering and Guanghua School of Management of Peking University with EMBA, and is a qualified PRC architecture engineer and a qualified real estate appraiser in the PRC. Mr. Li is primarily responsible for the operation and management of some of our property development projects. Prior to joining us in 2008, Mr. Li worked in Zhuhai Zhuguang Architecture Design Engineering Company and was responsible for architecture design, as well as in various property developers, namely New Home (Zhuhai) Real Estate Co. Ltd., Zhongshan Paramount Development Co., Ltd. and China Vanke Co., Ltd., and was responsible for property development and

management. Since 2008, Mr. Li has been responsible for the overall operation, management and sustainable development of property projects in certain regions under his supervision. Mr. Li has 20 years of experience in the management of real estate development.

Peng Zhibin (彭志斌), aged 44, is our vice president. Mr. Peng graduated from Hefei University of Technology (合肥工業大學) with a bachelor degree of civil engineering in 1996 and Wuhan University (武漢大學) with a master degree of business administration in 2003. In August 2014, Mr. Peng graduated from China Europe International Business School with EMBA. Mr. Peng is primarily responsible for our human resources management. Prior to joining us in 2010, Mr. Peng worked in China Railway Siyuan Survey and Design Group Co., Ltd. (中鐵第四勘察設計院集團有限公司) as an engineer and the head of professional design. Mr. Peng worked in ZTE Corporation (中興通訊有限公司) as a cadre management manager of human resources management center and the head of human resources (Middle East region) from 2003 to 2006; worked in Watson Wyatt Worldwide (華信惠悅諮詢公司) as a consultant and a project manager from 2006 to 2008; and worked in COFCO Property (Group) Co., Ltd. (中糧地產(集團)股份有限公司) as a group vice president of human resources and a director of human resources (southern region) from 2008 to 2010. Mr. Peng joined us in June 2010 as an assistant to president and the director of human resources. Mr. Peng has 15 years of experience in the human resources management.

Lin Zhaoxian (林昭憲), aged 53, is our chief strategy officer. Mr. Lin graduated from the Department of Political Science, College of Law of National Taiwan University with a bachelor's degree in law and University of Chicago with an MBA. Prior to joining the Group in 2015, Mr. Lin held senior positions in various international consultancies and corporations, with experience at Boston Consulting Group as a director of greater China region; at Procter & Gamble (USA and Taiwan) as an assistant brand manager; at Booz Allen Hamilton as a strategy principal; at Roland Berger Strategy Consultants as a global partner and vice president of PRC region; at OC&C Strategy Consultants as a president of greater China region; and at Strategic Bang Group as a president. Mr. Lin has more than 21 years of experience in investment and strategy consultancy.

Wu Bijun (伍碧君), aged 44, has been our vice president since April 2014. Ms. Wu is also a member of our finance committee and is the general manager of our finance center. Ms. Wu graduated from the Department of Public Finance and Taxation of Zhongnan University of Finance and Economics (中南財經大學) (currently known as "Zhongnan University of Economics and Law" (中南財經政法大學)) with a bachelor degree of economics majoring in public finance in 1995, and obtained an EMBA degree from China Europe International Business School in 2015. She is qualified as a Chinese certified public accountant and a Chinese certified tax agent. Ms. Wu is responsible for our finance and capital management. Prior to joining us in 2005, Ms. Wu worked at Jingzhou, Hubei Branch of China Construction Bank and was responsible for accounting and auditing management. From 1999 to 2002, Ms. Wu was the chief auditor of Guangdong Foshan Zhixin Certified Public Accountants Co., Ltd. and was responsible for reviewing the accountant's reports. From 2002 to 2005, Ms. Wu worked at Shunde Finance Bureau and was responsible for the financial management of foreign investment enterprises. Since joining us in 2005, Ms. Wu has been mainly responsible for our financial management. Ms. Wu has 12 years of experience in the management of real estate financial resources and approximately 22 years of experience in the financial management.

Ms. Wu was appointed as the chairman of our finance committee and our chief financial officer, with effect from April 1, 2017.

Zhang Zhiyuan (張志遠), aged 44, is our vice president. Mr. Zhang graduated from Changsha Railway Institute of Central South University (中南大學) with a bachelor degree in industrial and civil construction. He is also a senior engineer. Prior to joining us in 2014, Mr. Zhang worked at China Construction Fifth Division from 1995 to March 2014. He was a director and deputy general manager of China Construction Fifth Division from October 2010 to March 2014. Mr. Zhang is a regional president of the northwest region of our Group.

Yang Cuilong (楊翠龍), aged 46, is our vice president. Ms. Yang graduated from South China University of Technology (華南理工大學) majoring in architecture and is a national first class registered architect in the PRC and a senior engineer. Prior to joining us in 2000, Ms. Yang worked in Elite Architectural as director of the architectural office from 1993 to 2000 and was responsible for architecture design. Since 2000, she has been serving as the head of general office of our projects and an assistant to president, as well as our general manager in the project tendering management department. She was appointed as our vice president as well as the general manager of our cost management center in September 2014 and is responsible for our construction cost, construction tendering and cost management. Ms. Yang has eight years of experience in architectural design and management and 15 years of experience in operation management and construction cost management for real estate.

Yang Lixing (楊麗興), aged 47, is our vice president. Ms. Yang graduated from South China University of Technology (華南理工大學) majoring in management. Ms. Yang has been responsible for our procurement management since she joined us in 1992. Ms. Yang was appointed as our vice president in September 2014 as well as the general manager of our procurement center. Ms. Yang has 24 years of experience in the procurement management for real estate.

Huang Yuzhuang (黃宇裝), aged 42, is our vice president. Mr. Huang graduated from Zhejiang University and Peking University with a bachelor degree in architecture and a master degree in geography (city and urban planning). He is a first-class national registered architect. Prior to joining us, Mr. Huang worked in Hong Kong Huayi Design Consultants (Shenzhen) Limited as the managing director and a design director. Mr. Huang has 17 years of experience in architecture design with extensive practical experience in engineering and acquired dozens of awards both in China and overseas with his advanced design ideas. Mr. Huang was recognized as "The First Top Ten Architect of Shenzhen", "The Ninth Chinese Architecture Academy Young Architect" and "New Real Estate Architect for the year of 2014". Mr. Huang joined us in March 2015. He is our chief designer and is responsible for the design system.

Chen Liyan (陳立艷), aged 43, is our vice president. Ms. Chen graduated from Renmin's University of China (中國人民大學) majoring in financial accounting. Prior to joining us in 2014, Ms. Chen worked in UFIDA software Co., Ltd (用友軟體集團) as a product business analyst, consulting and implementation director, general manager of real estate architecture department and assistant president and was responsible for leading and designing the software supporting the profit model of the whole real estate industry chain. Ms. Chen was appointed as our vice president as well as the general manager of our information management center in November 2014. Currently, Ms. Chen is responsible for our information system and information management.

Zhu Jianmin (朱劍敏), aged 40, is our vice president. Mr. Zhu graduated from Foreign Language Department of Jiangxi Gannan Normal University and China Journalism College with a dual bachelor's degree, and School of Journalism and Communication, Peking University with a master's degree in communication. Prior to joining us, Mr. Zhu worked in the Xinhua News Agency in a number of positions namely journalist, editor, chief editor and office director of

editorial department. Mr. Zhu was appointed as leader of the tenth poverty alleviation team of the Xinhua News Agency and worked as assistant to mayor of Tongren City in Guizhou and deputy secretary of the Party Committee in Sinan County in 2014. Mr. Zhu is also the head of our general office and spokesperson of our Group. Currently, he is responsible for the executive system and the management of culture brand and strategic research.

Zhang Jintang (張錦棠), aged 38, has been our vice president since October 2016. Mr. Zhang obtained an EMBA degree from Cheung Kong Graduate School of Business (長江商學院). Mr. Zhang joined us immediately after his graduation. Since 2002, he has been serving as an assistant to the general manager of the Heshan Country Garden project, project manager and the director of the Guangdong region of our Group. He was responsible for project management in the Guangdong region. Since 2008, he has been serving as the regional president of the Mongolia region. Since 2010, he has been serving as the regional president of the Nanjing region and has been responsible for the overall operation project management. He has been serving as the regional president of the Dongguan-Shenzhen region since April 2012 till now. Currently, Mr. Zhang is appointed as our vice president and is responsible for the overall business in the Dongguan-Shenzhen region and in the India region. Mr. Zhang has 15 years of experience in the management of real estate development.

Liu Senfeng (劉森峰), aged 41, is our vice president. Mr. Liu graduated from Changsha Railway University (長沙鐵道學院) (currently known as "Central South University" (中南大學)) with a bachelor degree in construction engineering. He subsequently obtained a master of business administration degree from Tsinghua University (清華大學) and is a senior engineer. Mr. Liu is primarily responsible for the daily operation and administrative management of the Jiangsu region of our Group. Prior to joining us in 2011, Mr. Liu worked for the China State Group, a domestic company in China with international competitiveness in real estate industry, since 1999 and acted as a general manager of the Guangdong region of China Construction Fifth Engineering Division Corporation Ltd. of the China State Group. Mr. Liu has over 17 years of experience in real estate development, construction business, construction management, marketing, cost control and business management. Mr. Liu is our regional President of the Jiangsu region.

Xie Jinxiong (謝金雄), aged 46, is our vice president. Mr. Xie graduated from South China University of Technology (華南理工大學) majoring in civil engineering and China Europe International Business School (中歐國際工商學院) with an EMBA degree. He is also a registered property manager and a registered real estate appraiser. Mr. Xie is primarily responsible for the daily operation and administrative management of the Shanghai-Suzhou region of our Group. Mr. Xie joined us in 1992 after his graduation from the university. He had served as a manager in engineering, cost control and property development; an assistant to president, a general manager of the real estate management; a general manager of the municipal support department; a regional president of the eastern region and Chongqing region of our Group; a regional president of the Jiangsu-Anhui region of our Group, as well as several senior positions of our Group. Mr. Xie was awarded the "Outstanding Regional President of the Group" in 2012, 2013, 2015 and 2016. Mr. Xie has 25 years of experience in property investment, development and relevant business.

Liu Ning (劉寧), aged 50, joined our group as vice president and general manager of Industry & City Integration Center in May 2017. He has 12 years of experience in serving in the government and 10 years of experience in academic field. In 2000, Mr. Liu assumed Associate Chair of School of Civil Engineering, Hohai University after his PhD degree in Hohai University and postdoctoral

fellowship in Tsinghua University and Hong Kong University of Science and Technology. In 2002, he started his career in the government by serving as the deputy director of the Committee of Humen Port Development Zone. Then he served as the director of the Working Committee of Songshan Lake National High-tech Zone from 2011 to 2015. Before joining our group, he was the deputy director of Cloud Computing Center, Chinese Academy of Sciences.

Company secretary

Leung Chong Shun (梁創順), aged 52, was appointed as our company secretary since October 1, 2016. Mr. Leung graduated from the University of Hong Kong in November 1988 where he was awarded a bachelor degree of Laws with honors. He is qualified as solicitor in both Hong Kong and England and has been a practicing lawyer in Hong Kong since 1991.

Compensation of directors

Our executive directors receive remuneration in the form of salaries, discretionary bonuses, contributions to pension schemes and benefits in kind. The aggregate salary paid to our executive directors for each of the three years ended December 31, 2014, 2015 and 2016, was RMB69.8 million, RMB67.0 million and RMB64.5 million, respectively. In accordance with the rules and regulations in the PRC, our PRC based employees, including employees who are directors, participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which we and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. For the years ended December 31, 2014, 2015 and 2016, we contributed approximately RMB620,000, RMB692,000 and RMB749,000, respectively, to the plans in respect of our executive directors. The aggregate amounts of compensation (including salaries, discretionary bonuses, contributions to pension schemes and benefits in kind) which were paid to our executive directors during each of the three years ended December 31, 2014, 2015 and 2016 were RMB97.4 million, RMB89.9 million and RMB100.1 million, respectively.

Save as disclosed above, no other amounts have been paid or are payable by us to the directors in respect of each of the three years ended December 31, 2014, 2015 and 2016.

Audit committee

We have established an audit committee. The primary duty of our audit committee is to provide an independent review of the effectiveness of the financial reporting process, internal control and risk management system of our Group, oversee the audit process and perform other duties and responsibilities as may be assigned by our board from time to time. The members of the audit committee are four of our independent non-executive directors, namely Mr. Lai Ming, Joseph, Mr. Shek Lai Him, Abraham, Mr. Tong Wui Tung and Mr. Huang Hongyan. Mr. Lai Ming, Joseph is the chairman of our audit committee.

Remuneration committee

We have established a remuneration committee. The primary duty of our remuneration committee is to make recommendations to the board on the Company's policy and structure for all remuneration of directors and senior management of our Group, review and approve the management's remuneration proposals with reference to our board's corporate goals and

objectives, and make recommendations to our board on the remuneration packages of individual directors and senior management. The remuneration committee consists of six members, of whom two are executive directors being Mr. Yeung Kwok Keung and Mr. Mo Bin, and four are independent non-executive directors being Mr. Lai Ming, Joseph, Mr. Shek Lai Him, Abraham, Mr. Tong Wui Tung and Mr. Huang Hongyan. Mr. Tong Wui Tung is the chairman of our remuneration committee.

Corporate governance committee

We have established a corporate governance committee. The primary duty of our corporate governance committee is to develop and review our Company's policies and practices on corporate governance and make recommendations to our board, review and monitor the training and continuous professional development of directors and senior management, review and monitor our Company's policies and practices on compliance with legal and regulatory requirements, develop, review and monitor the code of conduct and compliance manual (if any) applicable to our Group's employees and directors, and review our Company's compliance with the corporate governance code as set out in Appendix 14 of the Listing Rules and disclosure in our corporate governance report. The corporate governance committee consists of three members, of whom all three are executive directors, namely Mr. Yeung Kwok Keung, Ms. Yang Huiyan and Mr. Mo Bin. Mr. Yeung Kwok Keung is the chairman of our corporate governance committee.

Nomination committee

We have established a nomination committee. The primary duty of our nomination committee is to review the structure, size and composition of our board and make recommendations on any proposed changes to our board to complement our Company's corporate strategy, identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of individuals nominated for directorships, assess the independence of independent non-executive directors, and make recommendations to our board on the appointment or re-appointment of directors and succession planning for directors. The nomination committee consists of four members, an executive director, Mr. Yeung Kwok Keung and three independent non-executive directors, namely Mr. Lai Ming, Joseph, Mr. Tong Wui Tung and Mr. Huang Hongyan. Mr. Yeung Kwok Keung is the chairman of our nomination committee.

Executive committee

We have established an executive committee. The primary duty of our executive committee is to discuss and make decisions on matters relating to our management and operations, including, but not limited to, corporate matters and financial/treasury planning, and to form strategies, consider and make recommendations to our board on acquisitions of or investments in business or projects, and review and discuss any other matters, as may from time to time, be delegated by our board. The executive committee consists of five members, of whom all five are executive directors, namely Mr. Yeung Kwok Keung, Ms. Yang Huiyan, Mr. Mo Bin, Ms. Yang Ziyang and Mr. Yang Zhicheng. Mr. Yeung Kwok Keung is the chairman of our executive committee.

Finance committee

We have established a finance committee. The primary duty of our finance committee is to discuss and make decisions on the matter relating to our management of approval of the

opening and canceling of bank/securities accounts (“Accounts”) and the changing of authorized signatories of the Accounts and dealing with any other matters from time to time in relation to the Accounts, execution of any matters in relation to buy-back of shares pursuant to the authorization granted by our board from time to time and the mandate given by our shareholders, and execution of any matters in relation to the employees’ share incentive scheme pursuant to the authorization granted by our board from time to time. The finance committee consists of six members, three executive directors, namely Ms. Yang Huiyan, Mr. Mo Bin and Mr. Yang Zhicheng, and three senior management of our finance center, including Ms. Wu Bijun. Ms. Wu Bijun is the chairman of our finance committee.

Directors' interests

As of the date of this offering memorandum, the interests of the directors of our Company who held office at the date of this offering memorandum in the shares, underlying shares and debentures of our Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register which were required to be kept under section 352 of the SFO, or as otherwise notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules were as follows:

Name of Directors	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Percentage to the issued share capital as of the date of this offering memorandum	Amount of debentures held
Mr. YEUNG Kwok Keung . . .	Interest of controlled corporation	53,372,800 ⁽¹⁾	-	53,372,800	0.25%	-
Ms. YANG Huiyan	Interest of controlled corporation	12,327,774,943 ⁽²⁾	-	12,327,774,943	57.93%	-
Mr. MO Bin	Beneficial owner	15,030,000	-	15,030,000	0.07%	-
Ms. YANG Ziyang	Interest of controlled corporation	6,750,000 ⁽³⁾	-	6,750,000	0.03%	-
Mr. YANG Zhicheng	Beneficial owner	-	5,184,428 ⁽⁴⁾	5,184,428	0.02%	-
Mr. XIE Shutai	Interest of spouse	901,266 ⁽⁵⁾	-	901,266	-	-
	Beneficial owner	-	117,526 ⁽⁴⁾	117,526	-	-
				1,018,792	0.01%	
Mr. SONG Jun	Beneficial owner	-	4,722,679 ⁽⁴⁾	4,722,679	0.02%	-
Mr. LIANG Guokun	Interest of spouse	2,026,936 ⁽⁶⁾	-	2,026,936	0.01%	-
Mr. SU Baiyuan	Beneficial owner	436,096	1,135,435 ⁽⁴⁾	1,571,531	-	-
	Interest of spouse	419,643 ⁽⁷⁾	-	419,643	-	-
				1,991,174	0.01%	
Mr. CHEN Chong	Interest of spouse	12,327,774,943 ⁽⁸⁾	-	12,327,774,943	57.93%	-
Mr. LAI Ming, Joseph	Beneficial owner	-	1,014,786 ⁽⁴⁾	1,014,786	0.01%	-
Mr. SHEK Lai Him, Abraham	Beneficial owner	-	1,014,786 ⁽⁴⁾	1,014,786	0.01%	-
Mr. TONG Wui Tung	Beneficial owner	-	1,014,786 ⁽⁴⁾	1,014,786	0.01%	-

Notes:

(1) These shares represent shares held by Kenpac Investments Limited in which Mr. YEUNG Kwok Keung beneficially owns 90% of the issued share capital.

- (2) These shares represent shares held by Concrete Win Limited, Genesis Capital Global Limited and Golden Value Investments Limited in which Ms. YANG Huiyan beneficially owns the entire issued share capital respectively.
- (3) These shares represent shares held by Shiny Dragon Assets Limited in which Ms. YANG Ziyang beneficially owns the entire issued share capital.
- (4) The relevant interests are unlisted physically settled options granted pursuant to the 2007 Share Option Scheme (as defined below) and 2017 Share Options Scheme (as defined below). Upon exercise of the share options in accordance with the 2007 Share Option Scheme and 2017 Share Option Schemes, ordinary shares of HKD0.10 each in the share capital of our Company are issuable. The share options are personal to the respective directors.
- (5) These shares represent shares held by Ms. YANG Congrong who is the spouse of Mr. XIE Shutai.
- (6) These shares represent shares held by Ms. MA Minhua who is the spouse of Mr. LIANG Guokun.
- (7) These shares represent shares held by Ms. LIU Qing who is the spouse of Mr. SU Baiyuan.
- (8) These shares represent shares held by Ms. YANG Huiyan who is the spouse of Mr. CHEN Chong.

Employee incentive scheme

We have set up an employee incentive scheme (the “Employee Incentive Scheme”). The trust deed in respect of the Employee Incentive Scheme for rewarding the contribution of our senior management and employees which excludes any of our connected persons together with the scheme rules were approved by our board officially. The purpose of the Employee Incentive Scheme is to provide the participants with an opportunity to hold a personal stake in us so as to motivate such participants and to enhance their performance and efficiency. During the six months ended June 30, 2017, our Company or its subsidiaries had not purchased any shares from the market, and had not acquired any shares by other way in accordance with the Employee Incentive Scheme. As of June 30, 2017, share awards for 73,421,469 shares were granted under this scheme subject to the registration and transfer procedures yet to be completed. As of June 30, 2017, the cumulative total number of the shares acquired under the Employee Incentive Scheme was 107,771,551 shares (December 31, 2016: 107,771,551 shares). The trustee of the Employee Incentive Scheme is Power Great Enterprises Limited, a wholly-owned subsidiary of the Company.

Our board will continue to monitor the Employee Incentive Scheme for motivating our senior management and employees and if we consider appropriate and/or desirable, may modify or replace the Employee Incentive Scheme with and/or adopt any other incentive scheme.

Share option schemes

On March 20, 2007, a share option scheme (the “**2007 Share Option Scheme**”) was approved and adopted by our then shareholders for a period of 10 years commencing on the adoption date. Subject to the terms and conditions of the 2007 Share Option Scheme, the Board may, at its discretion, grant share options to any eligible person to subscribe for the shares within the validity period of the scheme.

During the six months ended June 30, 2017, no share options were granted by our Company in accordance with the terms of the 2007 Share Option Scheme.

In view of the expiry of the 2007 Share Option Scheme, a new share option scheme (the “**2017 Share Option Scheme**”) was approved and adopted by the Shareholders at the annual general meeting of our Company held on May 18, 2017 for a period of 10 years commencing on the adoption date. Subject to the terms and conditions of the 2017 Share Option Scheme, the Board may, at its discretion, grant share options to any eligible person to subscribe for the shares within the validity period of the scheme.

During the six months ended June 30, 2017, share options for 2,895,406 shares with a fair value on the grant date of approximately RMB21,074,000 were granted to eligible persons in accordance with the terms of the 2017 Share Option Scheme.

(a) During the six months ended June 30, 2017, details of movements in the share options under the 2007 Share Option Scheme are as follows:

Category and name of grantees	Options to subscribe for Shares					Outstanding at June 30, 2017	Exercise price per Share HKD	Date of grant	Exercisable period
	Outstanding at January 1, 2017	Granted during the period ⁽²⁾	Exercised during the period	Cancelled during the period	Lapsed during the period				
Directors									
Mr. LAI Ming, Joseph	1,014,786	-	-	-	-	1,014,786	3.646	30.11.2012	30.11.2012-29.11.2022
Mr. SHEK Lai Him, Abraham	1,014,786	-	-	-	-	1,014,786	3.646	30.11.2012	30.11.2012-29.11.2022
Mr. TONG Wui Tung	1,014,786	-	-	-	-	1,014,786	3.646	30.11.2012	30.11.2012-29.11.2022
Mr. SU Rubo ⁽¹⁾	186,342	-	-	-	-	186,342	3.332	16.03.2016	16.03.2021-15.03.2026
Mr. OU Xueming ⁽¹⁾	968,146	-	-	-	-	968,146	4.773	13.12.2013	13.12.2018-12.12.2023
Mr. YANG Zhicheng	1,515,933	-	-	-	-	1,515,933	4.773	13.12.2013	13.12.2018-12.12.2023
	1,509,074	-	-	-	-	1,509,074	3.332	16.03.2016	16.03.2021-15.03.2026
	525,597	-	-	-	-	525,597	3.106	11.05.2016	11.05.2021-10.05.2026
	449,031	-	-	-	-	449,031	3.740	19.08.2016	19.08.2021-18.08.2026
Mr. SONG Jun	736,487	-	-	-	-	736,487	3.332	16.03.2016	16.03.2021-15.03.2026
	1,074,264	-	-	-	-	1,074,264	3.106	11.05.2016	11.05.2021-10.05.2026
	816,050	-	-	-	-	816,050	3.740	19.08.2016	19.08.2021-18.08.2026
Sub-total	10,825,282	-	-	-	-	10,825,282			
Employees of the Group	3,236,589	-	-	-	-	3,236,589	4.773	13.12.2013	13.12.2018-12.12.2023
Sub-total	3,236,589	-	-	-	-	3,236,589			
Total	14,061,871	-	-	-	-	14,061,871			

Notes:

(1) Mr. SU Rubo and Mr. OU Xueming resigned as executive directors with effect from April 1, 2017.

(2) During the six months ended June 30, 2017, no share options were granted by our Company in accordance with the terms of the 2007 Share Option Scheme.

(b) During the six months ended June 30, 2017, details of movements in the share options under the 2017 Share Option Scheme are as follows:

Category and name of grantees	Options to subscribe for Shares					Outstanding at June 30, 2017	Exercise price per Share HKD	Date of grant ⁽²⁾	Exercisable period
	Outstanding at January 1, 2017	Granted during the period ⁽¹⁾	Exercised during the period	Cancelled during the period	Lapsed during the period				
Directors									
Mr. YANG Zhicheng	-	484,454	-	-	-	484,454	8.250	22.05.2017	22.05.2022-21.05.2027
Mr. XIE Shutai	-	117,526	-	-	-	117,526	8.250	22.05.2017	22.05.2022-21.05.2027
Mr. SONG Jun	-	1,157,991	-	-	-	1,157,991	8.250	22.05.2017	22.05.2022-21.05.2027
Mr. SU Baiyuan	-	1,135,435	-	-	-	1,135,435	8.250	22.05.2017	22.05.2022-21.05.2027
Total	-	2,895,406	-	-	-	2,895,406			

Notes:

(1) During the six months ended June 30, 2017, share options of 2,895,406 shares with a fair value on the grant date of approximately RMB21,074,000 were granted to eligible persons in accordance with the terms of the 2017 Share Option Scheme.

(2) The closing price of the shares immediately before the date of grant of May 22, 2017 was HKD8.20.

Principal shareholders

As of the date of this offering memorandum, the interested persons, other than the directors or chief executive of our Company in the shares and the underlying shares of our Company representing 5% or more in the shares comprised in the relevant share capital of our Company as recorded in the register kept by our Company under Section 336 of the SFO were as follows:

Name of shareholders	Capacity	Number of ordinary shares	Percentage of issued share capital
Concrete Win Limited	Beneficial Owner	9,386,446,010 ⁽¹⁾	44.11%
Genesis Capital Global Limited	Beneficial Owner	2,840,000,000 ⁽²⁾	13.35%
Ping An Life Insurance Company of China, Ltd.	Beneficial Owner	2,236,200,000 ^{(3), (4)}	10.50% ⁽⁵⁾

Notes:

- (1) These shares are held by Concrete Win Limited, the entire issued share capital of which is beneficially owned by Ms. Yang Huiyan.
- (2) These shares are held by Genesis Capital Global Limited, the entire issued share capital of which is beneficially owned by Ms. Yang Huiyan.
- (3) These shares are held by Ping An Life Insurance Company of China, Ltd., which is a subsidiary of Ping An Insurance (Group) Company of China, Ltd., a joint stock limited company incorporated in the PRC with limited liability, the H Shares of which are listed on the main board of the Hong Kong Stock Exchange (Stock Code: 2318) and the A Shares of which are listed on the Shanghai Stock Exchange (Stock Code: 601318).
- (4) Disclosure of the number of ordinary shares held by Ping An Life Insurance Company of China, Ltd. ("Ping An") is made based on the last Disclosure of Interests notice filed by Ping An on May 12, 2016.
- (5) Disclosure of the percentage of the issued share capital held by Ping An is made based on the number of ordinary shares held by Ping An disclosed in the last Disclosure of interests notice filed by Ping An on May 12, 2016 divided by the number of issued shares of our Company as of the date of this offering memorandum.

Save as disclosed, none of the directors knows of any person (not being a director or chief executive of our Company) who would have an interest or short position in the shares or underlying shares of our Company as representing 5% or more in the shares comprised in the relevant share capital of our Company as of the date of this offering memorandum.

Related party transactions

The following discussion describes certain material related party transactions in 2014, 2015, 2016 and the six months ended June 30, 2017, between our consolidated subsidiaries and our directors, executive officers, original shareholders and associates and, in each case, the companies with which they are affiliated.

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

(in thousands)	For the year ended December 31,				For the six months ended June 30,	
	2014	2015	2016	2016	2017	2017
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(US\$)
Construction and decoration service income						
Controlled by the ultimate controlling shareholder ⁽¹⁾	-	-	-	-	-	-
Controlled by certain directors of the Company	209,917	85,617	124,791	17,973.6	762	112.4
Associates	-	93,425	703,919	101,385.4	341,670	50,399.0
Joint ventures	-	103,900	507,670	73,119.7	694,617	102,461.5
Subtotal	209,917	282,942	1,336,380	192,478.7	1,037,049	152,972.9
Purchase of design service						
Controlled by the ultimate controlling shareholder ⁽¹⁾	1,126,836	915,751	1,055,012	151,953.3	1,097,963	161,958.2
Purchase of construction, materials and water						
Controlled by the ultimate controlling shareholder ⁽¹⁾	408,873	4,323	9,063	1,305.3	4,079	601.7
Controlled by certain directors of the Company	8,312	5,210	5,059	728.6	1,013	149.4
Associates	-	-	26,080	3,756.3	26,011	3,836.8
Joint ventures	-	-	50,853	7,324.4	39,998	5,900.0
Subtotal	417,185	9,533	91,055	13,114.6	71,101	10,488.0
Provide guarantee for borrowings						
Associates	2,298,980	1,781,900	6,804,250	980,016	8,704,295	1,283,951.9
Joint ventures	-	-	11,813,120	1,701,443.2	13,621,169	2,009,229.4
Key management compensation	101,417	96,944	107,941	15,547	156,633	23,104.6

Note:

(1) Our "ultimate controlling shareholder" in this section and elsewhere in this offering memorandum refers to Ms. Yang Huiyan.

As of December 31, 2014, 2015, 2016 and June 30, 2017, we had the following significant balances with our related parties:

(in thousands)	As of December 31,				As of June 30,	
	2014 (RMB)	2015 (RMB)	2016 (RMB)	2016 (US\$)	2017 (RMB)	2017 (US\$)
Balances due from related parties						
Included in trade receivables						
Controlled by the ultimate controlling shareholder	-	-	17,705	2,550.1	18,676	2,754.9
Controlled by certain directors of the Company	-	-	200,310	28,850.6	226,306	33,381.9
Associates	-	-	258,559	37,240.2	133,440	19,683.4
Joint ventures	-	-	188,169	27,102.0	209,549	30,910.1
Subtotal	-	-	664,743	95,742.9	587,971	86,730.3
Included in amounts due from customers for contract work						
Controlled by the ultimate controlling shareholder	-	-	19,568	2,818.4	-	-
Controlled by certain directors of the Company	908,173	225,513	50,251	7,237.6	-	-
Associates	-	72,570	158,544	22,835.1	-	-
Joint ventures	-	45,130	169,608	24,428.6	-	-
Subtotal	908,173	343,213	397,971	57,319.7	-	-
Included in other receivables and prepayments						
Controlled by the ultimate controlling shareholder	360,894	296,408	104,641	15,071.4	252,819	37,292.8
Controlled by certain directors of the Company	315,323	964,104	15,934	2,295.0	155,608	22,798.7
Associates	2,039,745	2,923,452	8,928,777	1,286,011.4	12,982,196	1,914,975.9
Joint ventures	304,612	413,693	8,568,473	1,234,116.8	20,317,694	2,997,019.5
Subtotal	3,020,574	4,597,657	17,617,825	2,537,494.6	33,708,317	1,920,476.9
	<u>3,928,747</u>	<u>4,940,870</u>	<u>18,631,661</u>	<u>2,690,557.2</u>	<u>35,080,193</u>	<u>5,174,604.0</u>
Balances due to related parties						
Included in trade and other payables						
Controlled by the ultimate controlling shareholder	1,108,838	2,022,613	271,479	39,101.1	540,098	79,668.7
Controlled by certain directors of the Company	392	27,224	76,427	11,007.8	148,325	21,879.1
Associates	-	220,076	12,910,341	1,859,475.9	17,473,759	2,577,516.7
Joint ventures	-	225,054	14,262,739	2,054,261.7	27,603,250	4,071,696.2
	<u>1,109,230</u>	<u>2,494,967</u>	<u>27,520,986</u>	<u>3,963,846.5</u>	<u>45,765,432</u>	<u>6,750,760.7</u>

Construction, fitting and decoration services

Pursuant to the construction services agreement (the "Construction Services Agreement") entered into between Guangdong Giant Leap Construction Co., Ltd. ("Giant Leap") and Qingyuan Country Garden Property Development Co., Ltd. ("Qingyuan CG"), Giant Leap agreed to provide construction services to Qingyuan CG on terms no less favorable than those offered by

independent third parties to Qingyuan CG for comparable services for two years commencing from January 1, 2015 and subject to the annual caps of not exceeding RMB200 million for each of the two years ended December 31, 2015 and 2016, respectively. For the year ended December 31, 2016, the value of construction services provided by Giant Leap amounted to RMB57 million (US\$8 million).

As the Construction Services Agreement has expired on December 31, 2016, it was renewed by Giant Leap and Qingyuan CG entering into a construction services agreement (the "2017 Construction Services Agreement") on December 30, 2016 for the provision of construction services by Giant Leap to Qingyuan CG for a further term of three years commencing from January 1, 2017.

Purchase of design services

Pursuant to the design services agreement (the "Design Services Agreement") entered into between Foshan Shunde Country Garden Property Development Co., Ltd. ("Shunde Country Garden") and Guangdong Elite Architectural Co., Ltd., Guangdong Elite Architectural Co., Ltd. agreed to provide survey work, property design and interior design services to the Group on terms no less favorable than those available to independent third parties for three years commencing from January 1, 2014 and subject to the annual caps of not exceeding RMB1,500 million, RMB1,800 million and RMB2,000 million for each of the three years ended December 31, 2014, 2015 and 2016, respectively. For the six months ended June 30, 2017, the total amount of survey work, property design and interior design services charged by Guangdong Elite Architectural Co., Ltd. amounted to RMB1,098.0 million (US\$162.0 million).

As the Design Services Agreement has expired on December 31, 2016, it was renewed by Shunde Country Garden and Guangdong Elite Architectural Co., Ltd. entering into a design services further supplemental agreement (the "Design Services Further Supplemental Agreement") on December 30, 2016 for the provision of survey work, property design and interior design services by Guangdong Elite Architectural Co., Ltd. to the Group for a further term of three years commencing from January 1, 2017.

Purchase of cement products

We purchase cement products from Guangdong Grand Pipe Pile Co., Ltd. ("Grand Pile Co."), a company controlled by our directors, for some of our property development projects. The cement products are sold to us on terms (including but not limited to pricing) no less favorable than those offered by Grand Pile Co. to independent third parties. In 2014, 2015, 2016 and the six months ended in June 30, 2017, purchases of cement products from Grand Pile Co. amounted to RMB8.3 million, RMB5.2 million, nil and nil, respectively.

Purchase of water

We purchase water from Foshan Shunde Jiangkou Water Plant Co., Ltd. ("Jiangkou Water Plant Co."), and Zengcheng Crystal Water Plant Co., Ltd. ("Crystal Water Plant Co."), both of which are controlled by our original shareholders and their close family members.

Jiangkou Water Plant Co. and Crystal Water Plant Co. provide us with water for use in operations in the Panyu District, the Shunde District and the Zengcheng District. The water supplied are at

rates no less favorable than rates chargeable by other water plants operated by independent third parties in the Panyu District, the Shunde District and the Zengcheng District. The amount we paid to Jiangkou Water Plant Co. and Crystal Water Plant Co. were RMB1.1 million and RMB7.1 million, respectively, in 2014, nil and RMB4.3 million, respectively, in 2015 and nil and RMB5.0 million (US\$0.7 million), respectively, in 2016, nil and RMB2.7 million (US\$0.4 million), respectively, for the six months ended June 30, 2017.

Other related party transactions

Other related transactions include the purchase of construction materials (other than cement products) from our original shareholders and their close family members. Generally, the terms of such transactions (including but not limited to pricing or rates, as applicable) are no less favorable than those offered by independent third parties for comparable products and services.

For further information about our related party transactions, see note 44 to the consolidated financial information as of and for the year ended December 31, 2015 and 2016 and note 30 to the unaudited interim condensed consolidated financial information as of and for the six months June 30, 2017 included elsewhere in this offering memorandum.

In addition, in February 2017, Bright Scholar Education Holdings Limited (“Bright Scholar”), a related party to the Company, entered into agreements with the Company, pursuant to which the Company shall grant all schools operated by Bright Scholar the right to use certain trademarks of the Company free of charge and provide premises and facilities to certain schools operated by Bright Scholar.

Description of other material indebtedness

To fund our existing property projects and to finance our working capital requirements, we have borrowed money from various banks. As of June 30, 2017, our total borrowings (including bank and other borrowings, receipts under securitization arrangements, the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes and corporate bonds) totaled RMB162,432.1 million (US\$23,960.0 million). As of June 30, 2017, we had a total amount of RMB23,960.0 million (US\$3,534.3 million) of the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes and the 2026 Notes outstanding. We set forth below a summary of the material terms and conditions of these loans and other indebtedness.

PRC project loan agreements

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, primarily Bank of China, Agricultural Bank of China, China Construction Bank, Industrial and Commercial Bank of China, the Bank of East Asia, Hang Seng Bank, Bank of Communications, Industrial Bank, China Everbright Bank, China Citic Bank, Shunde Rural Commercial Bank, China Merchants Bank, SPD Bank, China Zheshang Bank, China Minsheng Bank, Postal Savings Bank of China and Guangdong Development Bank. These loans typically are project loans to finance the construction of our projects (the "project loans") and have terms ranging from one year to nine years, which generally correspond to the construction periods of the particular projects.

Interest

The principal amounts outstanding under the project loans generally bear interest at floating or fixed rates calculated by reference to the relevant bank's benchmark interest rate per annum which in turn is generally linked to PBOC-published rates. Floating interest rates generally are subject to review by the banks annually or quarterly. Interest payments generally are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement.

Covenants

Under these project loans, many of our subsidiary borrowers have agreed, among other things, not to take the following actions without first obtaining the lenders' prior consent:

- create encumbrances on any part of their properties or assets or deal with their assets in a way that may adversely affect their ability to repay their loans;
- grant guarantees to any third parties that may adversely affect their ability to repay their loans;
- make any major changes to their corporate structures or business operation model, such as entering into joint ventures, mergers and acquisitions and reorganizations or change the company's status, such as liquidation and dissolution;
- transfer part or all of the liabilities under the loans to a third party; and
- prepay the loan.

Dividend restriction

Pursuant to these project loans, certain of our PRC subsidiaries also agreed not to distribute any dividends:

- if the borrower's after-tax net profit is nil or negative;
- if the after-tax net profit is insufficient to cover losses in previous financial years;
- if the before-tax profit is not used to satisfy the relevant debt due during the same financial year;
- if the before-tax profit is insufficient to cover the principal, interest or other related expenses due in the next period;
- before the principal amount of and accrued interest on the relevant project loan have been timely or fully paid or before obtaining written consent from the lender.

Guarantee and security

Most of our PRC subsidiaries and associates have entered into guarantee agreements, mortgage contracts or pledge contracts, or a combination of them, with the PRC banks in connection with most of the project loans pursuant to which these subsidiaries and associates have guaranteed all liabilities of the subsidiary borrowers or have provided security, such as land use rights and equity of the project companies, under these project loans.

Customer guarantees

In line with industry practice, we provide guarantees to mortgagee banks in respect of mortgage loans taken out by purchasers of our properties. Such guarantee obligations typically terminate upon the delivery of the relevant property ownership certificates on the underlying property to the bank. As of December 31, 2016, the aggregate outstanding amount guaranteed was RMB127,502.7 million (US\$18,807.7 million).

2023 Notes

On January 10, 2013, we entered into an indenture (the "2023 Indenture") pursuant to which we issued an aggregate principal amount of US\$750,000,000 7.50% Senior Notes due 2023 (the "2023 Notes").

Guarantee

The obligations pursuant to the 2023 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2021 Notes and the Private Notes (the "2023 Subsidiary Guarantors").

Each of the 2023 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the 2023 Notes.

Collateral

The 2023 Notes and the subsidiary guarantees provided by the 2023 Subsidiary Guarantors are secured by the Shared Collateral. See "November 2018 Notes—Collateral."

Interest

The 2023 Notes bear an interest rate of 7.50% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2023 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of default

The 2023 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the 2023 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the trustee under the 2023 Indenture or the holders of at least 25% of the outstanding 2023 Notes may declare the principal of the 2023 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding 2023 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the 2023 Notes is January 10, 2023.

At any time and from time to time on or after January 10, 2018, we may redeem the 2023 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to (but not including) the redemption date if redeemed during the twelve month period beginning on January 10 of each of the years indicated below:

Period	Redemption Price
2018	103.75%
2019	102.50%
2020	101.25%
2021 and thereafter	100.00%

At any time prior to January 10, 2018, we may redeem the 2023 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2023 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to January 10, 2016, we may redeem up to 35% of the aggregate principal amount of the 2023 Notes at a redemption price equal to 107.50% of the principal amount of the 2023 Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of our capital stock, *provided that* at least 65% of the aggregate principal amount of the 2023 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days of the related sale of our capital stock and subject to certain conditions.

Additionally, if we or a 2023 Subsidiary Guarantor under the 2023 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2023 Notes at a redemption price equal to 100% of the principal amount of the 2023 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

2021 Notes

On October 4, 2013, we entered into an indenture (the “2021 Indenture”) pursuant to which we issued an aggregate principal amount of US\$750,000,000 7.25% Senior Notes due 2021 (the “2021 Notes”).

Guarantee

The obligations pursuant to the 2021 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2023 Notes and the Private Notes (the “2021 Subsidiary Guarantors”). Each of the 2021 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the 2021 Notes.

Collateral

The 2021 Notes and the subsidiary guarantees provided by the 2021 Subsidiary Guarantors are secured by the Shared Collateral. See “—November 2018 Notes—Collateral.”

Interest

The 2021 Notes bear an interest rate of 7.25% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2021 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of default

The 2021 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the 2021 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the trustee under the 2021 Indenture or the holders of at least 25% of the outstanding 2021 Notes may declare the principal of the 2021 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding 2021 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the 2021 Notes is April 4, 2021.

At any time and from time to time on or after October 4, 2017, we may redeem the 2021 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to (but not including) the redemption date if redeemed during the twelve month period beginning on October 4 of each of the years indicated below:

Period	Redemption Price
2017	103.625%
2018	101.8125%
2019 and thereafter	100.00%

At any time prior to October 4, 2017, we may redeem the 2021 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2021 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to October 4, 2016, we may redeem up to 35% of the aggregate principal amount of the 2021 Notes at a redemption price equal to 107.25% of the principal amount of the 2021 Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of our capital stock, *provided that* at least 65% of the aggregate principal amount of the 2021 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days of the related sale of our capital stock and subject to certain conditions.

Additionally, if we or a 2021 Subsidiary Guarantor under the 2021 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2021 Notes at a redemption price equal to 100% of the principal amount of the 2021 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Private Notes

On June 5, 2014, we entered into an indenture (the “Private Notes Indenture”) pursuant to which we issued an aggregate principal amount of US\$250,000,000 7.50% Senior Notes due 2019 (the “Private Notes”).

Guarantee

The obligations pursuant to the Private Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2023 Notes and the 2021 Notes (the “Private Notes Subsidiary Guarantors”). Each of the Private Notes Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the Private Notes.

Collateral

The Private Notes and the subsidiary guarantees provided by the Private Notes Subsidiary Guarantors are secured by the Shared Collateral. See “—November 2018 Notes—Collateral.”

Interest

The Private Notes bear an interest rate of 7.50% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the Private Notes Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of default

The Private Notes Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the Private Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the trustee under the Private Notes or the holders of at least 25% of the outstanding Private Notes may declare the principal of the Private Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding Private Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the Private Notes is June 5, 2019.

2020 Notes

On March 9, 2015, we entered into an indenture (the "2020 Indenture") pursuant to which we issued an aggregate principal amount of US\$900,000,000 7.50% Senior Notes due 2020 (the "2020 Notes").

Guarantee

The obligations pursuant to the 2020 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2023 Notes, the 2021 Notes and the Private Notes (the “2020 Subsidiary Guarantors”). Each of the 2020 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the 2020 Notes.

Collateral

The 2020 Notes and the subsidiary guarantees provided by the 2020 Notes Subsidiary Guarantors are secured by the Shared Collateral. See “—November 2018 Notes—Collateral.”

Interest

The 2020 Notes bear an interest rate of 7.50% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2020 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of default

The 2020 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the 2020 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs

and is continuing for a period of 30 consecutive days, the trustee under the 2020 Indenture or the holders of at least 25% of the outstanding 2020 Notes may declare the principal of the 2020 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding 2020 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the 2020 Notes is March 9, 2020. At any time and from time to time on or after March 9, 2018, we may redeem the 2020 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to (but not including) the redemption date if redeemed during the twelve month period beginning on March 9 of each of the years indicated below:

Period	Redemption Price
2018	103.750%
2019	101.875%

At any time prior to March 9, 2018, we may redeem the 2020 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2020 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to March 9, 2018, we may redeem up to 35% of the aggregate principal amount of the 2020 Notes at a redemption price equal to 107.50% of the principal amount of the 2020 Notes redeemed, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of our capital stock, provided that at least 65% of the aggregate principal amount of the 2020 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days of the related sale of our capital stock and subject to certain conditions.

Additionally, if we or a 2020 Subsidiary Guarantor under the 2020 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2020 Notes at a redemption price equal to 100% of the principal amount of the 2020 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

September 2023 Notes

On September 28, 2016, we entered into an indenture (the “September 2023 Indenture”) pursuant to which we issued an aggregate principal amount of US\$650,000,000 4.75% Senior Notes due 2023 (the “September 2023 Notes”).

Guarantee

The obligations pursuant to the September 2023 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2023 Notes, the 2021 Notes, the Private Notes and the 2020 Notes (the “September 2023 Subsidiary Guarantors”). Each of the September 2023

Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the September 2023 Notes and the September 2023 Indenture.

Collateral

The September 2023 Notes and the subsidiary guarantees provided by the September 2023 Notes Subsidiary Guarantors are secured by the Shared Collateral. See “—November 2018 Notes—Collateral.”

Interest

The September 2023 Notes bear an interest rate of 4.75% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the September 2023 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of default

The September 2023 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the September 2023 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding September 2023 Notes may, and the trustee under the September 2023 Indenture at the request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the September 2023 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding September 2023 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the September 2023 Notes is September 28, 2023. At any time and from time to time on or after September 28, 2020, we may redeem the September 2023 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to (but not including) the redemption date if redeemed during the twelve month period beginning on September 28 of each of the years indicated below:

Period	Redemption Price
2020	102.3750%
2021	101.1875%
2022 and thereafter	100.0000%

At any time prior to September 28, 2020, we may redeem the September 2023 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the September 2023 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to September 28, 2020, we may redeem up to 35% of the aggregate principal amount of the September 2023 Notes at a redemption price equal to 104.75% of the principal amount of the September 2023 Notes redeemed, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of our capital stock, provided that at least 65% of the aggregate principal amount of the September 2023 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days of the related sale of our capital stock and subject to certain conditions.

Additionally, if we or a September 2023 Subsidiary Guarantor under the September 2023 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the September 2023 Notes at a redemption price equal to 100% of the principal amount of the September 2023 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

2026 Notes

On December 15, 2016, we entered into an indenture (the "2026 Indenture") pursuant to which we issued an aggregate principal amount of US\$350,000,000 5.625% Senior Notes due 2026 (the "2026 Notes").

Guarantee

The obligations pursuant to the 2026 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2023 Notes, the 2021 Notes, the Private Notes and the 2020 Notes and the September 2023 Notes (the "2026 Subsidiary Guarantors"). Each of the 2026 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any

premium, and interest on, and all other amounts payable under the 2026 Notes and the 2026 Indenture.

Collateral

The 2026 Notes and the subsidiary guarantees provided by the 2026 Notes Subsidiary Guarantors are secured by the Shared Collateral. See “—November 2018 Notes—Collateral.”

Interest

The 2026 Notes bear an interest rate of 5.625% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2026 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of default

The 2026 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the 2026 Notes when such payments become due, default in payment of interest which continues for 30 days, the failure by us to consummate the repurchase of the 2026 Notes in respect of which holders have exercised their put options pursuant to the 2026 Indenture and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding 2026 Notes may, and the trustee under the 2026 Indenture at the request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the 2026 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding 2026 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the 2026 Notes is December 15, 2026.

At any time prior to December 15, 2026, we may redeem the 2026 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2026 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to December 15, 2026, we may redeem up to 35% of the aggregate principal amount of the 2026 Notes at a redemption price equal to 105.625% of the principal amount of the 2026 Notes redeemed, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of our capital stock, provided that at least 65% of the aggregate principal amount of the 2026 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days of the related sale of our capital stock and subject to certain conditions.

Additionally, if we or a 2026 Subsidiary Guarantor under the 2026 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2026 Notes at a redemption price equal to 100% of the principal amount of the 2026 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Repurchase of the 2026 Notes at the option of the holders

Holders of the 2026 Notes may, at their option, require us to repurchase for cash all of their 2026 Notes, or any portion thereof that is in minimum denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof, on December 15, 2021, at the repurchase price equal to 100% of the principal amount of such 2026 Notes to be repurchased, plus accrued and unpaid interest, if any, to (but not including) December 15, 2021.

2022 Notes

On July 25, 2017, we entered into an indenture (the "2022 Indenture") pursuant to which we issued an aggregate principal amount of US\$600,000,000 4.75% Senior Notes due 2022 (the "2022 Notes"). On August 16, 2017, we issued an additional US\$100,000,000 2022 Notes.

Guarantee

The obligations pursuant to the 2022 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes and the 2026 Notes (the "2022 Subsidiary Guarantors"). Each of the 2022 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the 2022 Notes and the 2022 Indenture.

Collateral

The 2022 Notes and the subsidiary guarantees provided by the 2022 Notes Subsidiary Guarantors are secured by the Shared Collateral. See “—November 2018 Notes—Collateral.”

Interest

The 2022 Notes bear an interest rate of 4.75% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2022 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of default

The 2022 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the 2022 Notes when such payments become due, default in payment of interest which continues for 30 days, the failure by us to consummate the repurchase of the 2022 Notes in respect of which holders have exercised their put options pursuant to the 2022 Indenture and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding 2022 may declare the principal of the 2026 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding 2022 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the 2022 Notes is July 25, 2022.

At any time and from time to time on or after July 25, 2020 we may redeem the 2022 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to (but not including) the redemption date if redeemed during the twelve month period beginning on July 25 of each of the years indicated below:

Period	Redemption Price
2020	102.375%
2021	101.188%

At any time prior to July 25, 2020, we may redeem the 2022 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2022 Notes plus a premium and any accrued and unpaid interest to the redemption date.

At any time and from time to time prior to July 25, 2020 we may redeem up to 35% of the aggregate principal amount of the 2022 Notes at a redemption price of 104.75% equal to the principal amount of the 2022 Notes redeemed, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of our capital stock, provided that at least 65% of the aggregate principal amount of the 2022 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days after the related sale of our capital stock and subject to certain conditions.

Additionally, if we or a 2022 Subsidiary Guarantor under the 2022 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2022 Notes at a redemption price equal to 100% of the principal amount of the 2022 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

November 2018 Notes

On November 22, 2017, we entered into an indenture (the "November 2018 Indenture") pursuant to which we issued an aggregate principal amount of US\$500,000,000 3.875% Senior Notes due 2018 (the "November 2018 Notes").

Guarantee

The obligations pursuant to the November 2018 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2023 Notes, the 2021 Notes, the Private Notes and the 2020 Notes, the September 2023 Notes, the 2026 Notes and the November 2018 Notes (the "November 2018 Subsidiary Guarantors"). Each of the November 2018 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the November 2018 Notes and the November 2018 Indenture.

Collateral

The capital stock of certain November 2018 Subsidiary Guarantors (the "Shared Collateral") is currently pledged to secure on a *pari passu* basis our obligations under (i) the 2022 Notes and the

subsidiary guarantees provided by the subsidiary guarantor pledgors under the indenture governing the 2022 Notes (ii) the 2023 Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the indenture governing the 2023 Notes, (iii) the 2021 Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the indenture governing the 2021 Notes, (iv) the Private Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the indenture governing the Private Notes, (v) the 2020 Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the indenture governing the 2020 Notes, (vi) the September 2023 Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the indenture governing the September 2023 Notes, (vii) the 2026 Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the indenture governing the 2026 Notes, (viii) the 2014 Club Loan and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the credit agreement governing the 2014 Club Loan, (ix) the 2015 Club Loan and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the facility agreement governing the 2015 Club Loan, (x) the 2016 Club Loan and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the facility agreement governing the 2016 Club Loan, (xi) the 2017 Club Loan and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the facility agreement governing the 2017 Club Loan, (xii) the GS Hedging Obligations, (xiii) the DB Hedging Obligations and (xiv) the November 2018 Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the indenture governing the November 2018 Notes, subject to the Intercreditor Agreement. The Intercreditor Agreement governs the relationships among the holders of the November 2018 Notes, the holder of the 2022 Notes, the holders of the 2023 Notes, the holders of the 2021 Notes, the holders of the Private Notes, the holders of the 2020 Notes, the holders of the September 2023 Notes, the holders of the 2026 Notes, the lenders of the 2014 Club Loan, the lenders of the 2015 Club Loan, the lenders of the 2016 Club Loan, the lenders of the 2017 Club Loan, Goldman Sachs International under the GS Guarantee and Deutsche Bank AG under the DB Guarantee, in respect of the security interests created by the Shared Collateral that is shared on a *pari passu* basis among them.

Additionally, the Intercreditor Agreement provides for the collateral agent to exercise remedies in respect thereof upon the occurrence of an event of default under the secured obligations and to act as specified in the Intercreditor Agreement. We expect the Trustee for the Notes to become a secured party under the Intercreditor Agreement by executing a supplement to the Intercreditor Agreement. The Shared Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, we and each subsidiary guarantor pledgor may in the future incur additional permitted *pari passu* secured indebtedness which would be secured by the Shared Collateral on a *pari passu* basis with the 2022 Notes, the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the November 2018 Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors relating to these securities, subject to the Intercreditor Agreement.

Interest

The November 2018 Notes bear an interest rate of 3.875% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the November 2018 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of default

The November 2018 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the November 2018 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding November 2018 Notes may, and the trustee under the November 2018 Indenture at the request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the November 2018 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding November 2018 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the November 2018 Notes is November 20, 2018.

At any time prior to November 20, 2018, we may redeem the November 2018 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the November 2018 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to November 20, 2018, we may redeem up to 35% of the aggregate principal amount of the November 2018 Notes at a redemption price equal to 103.875% of the principal amount of the November 2018 Notes redeemed, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of our capital stock, provided that at least 65% of the aggregate principal amount of the November 2018 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days of the related sale of our capital stock and subject to certain conditions.

Additionally, if we or a November 2018 Subsidiary Guarantor under the November 2018 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the November 2018 Notes at a redemption price equal to 100% of the principal amount of the November 2018 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Domestic Corporate Bonds

Zengcheng RMB6,000,000,000 Domestic Corporate Bonds

Zengcheng Country Garden Property Development Co. Ltd., our wholly-owned subsidiary in the PRC, issued a series of domestic corporate bonds in an aggregate principal amount of RMB6,000,000,000 in 2015 (the "Zengcheng RMB6,000,000,000 Domestic Corporate Bonds"). The first tranche of the Zengcheng RMB6,000,000,000 Domestic Corporate Bonds was issued in August 2015 in the principal amount of RMB3,000,000,000 with a coupon rate of 4.2% per annum and a term of three years. The second tranche of the Zengcheng RMB6,000,000,000 Domestic Corporate Bonds was issued also in August 2015 in the principal amount of RMB3,000,000,000 with a coupon rate of 4.2% per annum and a term of three years. The Zengcheng RMB6,000,000,000 Domestic Corporate Bonds are listed on the Shanghai Stock Exchange. The proceeds from the issuance of Zengcheng RMB6,000,000,000 Domestic Corporate Bonds are to be used for refinancing certain of our existing indebtedness and for general working capital purposes. We provide joint and several liability guarantee for these bonds.

Zengcheng RMB8,000,000,000 Domestic Corporate Bonds

Zengcheng Country Garden Property Development Co. Ltd. issued a series of domestic corporate bonds in an aggregate principal amount of RMB8,000,000,000 in 2015 (the "Zengcheng RMB8,000,000,000 Domestic Corporate Bonds"). The first tranche of the Zengcheng RMB8,000,000,000 Domestic Corporate Bonds was issued in November 2015 in the principal amount of RMB4,000,000,000 with a coupon rate of 4.95% per annum and a term of four years. The second tranche of the Zengcheng RMB8,000,000,000 Domestic Corporate Bonds was issued in December 2015 in the principal amount of RMB4,000,000,000 with a coupon rate of 5.10% per annum and a term of four years. At the end of the second year of each tranche, Zengcheng Country Garden Property Development Co. Ltd. can adjust the coupon rate and investors can exercise a retractable option. The Zengcheng RMB8,000,000,000 Domestic Corporate Bonds are listed on the Shanghai Stock Exchange. The proceeds from the issuance of Zengcheng RMB8,000,000,000 Domestic Corporate Bonds will be used for refinancing certain of our existing indebtedness and for general working capital purposes. We provide joint and several liability guarantee for these bonds.

Company Domestic Corporate Bonds

Our Company issued a series of domestic corporate bonds in 2015 and 2016 (the “Company Domestic Corporate Bonds”). The first tranche of the Company Domestic Corporate Bonds was issued in December 2015 in the principal amount of RMB1,000,000,000 with a coupon rate of 4.99% per annum and a term of five years. At the end of the third year, we can adjust the coupon rate and investors can exercise a retractable option. The first tranche of the Company Domestic Corporate Bonds issued in 2016 was issued in March 2016 in the principal amount of RMB4,000,000,000 with a coupon rate of 4.75% per annum and a term of four years. At the end of the third year, we can adjust the coupon rate and investors can exercise a retractable option. The second tranche of the Company Domestic Corporate Bonds issued in 2016 was issued in March 2016 in the principal amount of RMB4,000,000,000 with a coupon rate of 4.55% per annum and a term of four years. At the end of the second year, we can adjust the coupon rate and investors can exercise a retractable option. The third tranche of the Company Domestic Corporate Bonds issued in 2016 was issued in August 2016 in the principal amount of RMB1,000,000,000 with a coupon rate of 4.60% per annum and a term of five years. At the end of the third year, we can adjust the coupon rate and investors can exercise a retractable option. The proceeds from the issuance of Company Domestic Corporate Bonds will be used for refinancing certain of our existing indebtedness and for general working capital purposes. The fourth tranche of the Company Domestic Corporate Bonds issued in 2016 was issued in September 2016 in the principal amount of RMB10,000,000,000, of which (i) RMB4,170,000,000 principal amount has a coupon rate of 4.15% per annum and a term of four years, and at the end of the second year, we can adjust the coupon rate and investors can exercise a retractable option; and (ii) RMB5,830,000,000 principal amount has a coupon rate of 5.65% per annum and a term of seven years, and at the end of the fifth year, we can adjust the coupon rate and investors can exercise a retractable option.

Guangdong Giant Leap Domestic Corporate Bonds

Giant Leap Construction Co., our wholly-owned subsidiary in the PRC, issued domestic corporate bonds in the principal amount of RMB3,000,000,000. Series 1 of the Guangdong Giant Leap Domestic Corporate Bonds was issued on October 21, 2016 in the principal amount of RMB1,000,000,000 with a coupon rate of 3.20% per annum, with a tenure of four years. At the end of the second year, the issuer can adjust the coupon rate and investors can exercise a retractable option. Series 2 of the Guangdong Giant Leap Domestic Corporate Bonds was issued on the same date in the principal amount of RMB2,000,000,000 with a coupon rate of 3.90% per annum, with a tenure of seven years. At the end of the fifth year, the issuer can adjust the coupon rate and investors can exercise a retractable option. The proceeds from such Series 1 and 2 issuance will be used for general working capital purposes. We provide joint and several liability guarantee for these bonds.

Islamic Medium Term Notes

Country Garden Real Estate Sdn. Bhd., our wholly-owned subsidiary in Malaysia, issued its first Islamic medium term notes (the “IMTN”) in December 2015 at a par value of Malaysian Ringgit 115,000,000 (equivalent to approximately HK\$209,875,000 around the time of its issuance) with a coupon rate of 6.00% per annum pursuant to an Islamic medium term notes program of Malaysian Ringgit 1,500,000,000 (equivalent to approximately HK\$2,665,000,000) in nominal value, based on the Shariah principal of Murabahah (via a Tawarruq arrangement) (the “IMTN

Program"). The term of the first IMTN issuance is two years while the IMTN Program has a term of 20 years from the date of the first IMTN issuance. The proceeds from the issuance of the IMTN shall be used for the general corporate purposes of Country Garden Real Estate Sdn. Bhd. and its subsidiaries, including to finance present and future Shariah-compliant investments, and/or to finance Country Garden Real Estate Sdn. Bhd. and its subsidiaries' Shariah-compliant working capital and capital expenditure requirements, and/or for payment of fees, expenses, costs and all other amounts payable in relation to the establishment of the IMTN Program, all of which shall be Shariah-compliant, and shall be utilized in Malaysia.

Guarantee and security

The IMTN is guaranteed by the Company together with two of our wholly owned subsidiaries, Bright Start Group Limited and Top Favour Holdings Limited. The IMTN is secured by a share charge over these two subsidiaries' shares in Country Garden Real Estate Sdn Bhd, along with a debenture over all the present and future assets of Country Garden Real Estate Sdn Bhd, and a charge over designated accounts.

Offshore facility agreements

We have entered into facility agreements with offshore banks and financial institutions, including, without limitation, The Bank of East Asia, Limited, The Hongkong and Shanghai Banking Corporation Limited, Wing Lung Bank Limited, Hang Seng Bank Limited, China CITIC Bank International Limited, The Bank of East Asia, Limited, Labuan Branch and BNP Paribas. We have also entered into local project loans with Malaysian banks, including Bank of China (Malaysia) Berhad, CIMB Bank Berhad, HSBC Bank Malaysia Berhad, Industrial and Commercial Bank of China (Malaysia) Berhad, Public Bank Berhad, RHB Bank Berhad and Malayan Banking Berhad, in relation to our Malaysian projects. In addition, on December 18, 2014, we entered into a credit agreement with several lenders and Hang Seng Bank Limited as facility agent for a HK\$2,925 million and US\$203 million equivalent dual tranche transferable term loan facility (the "2014 Club Loan") and on December 19, 2014, we drew down the facility in full. On July 31, 2015, we entered into a facility agreement with various lenders and Bank of China (Hong Kong) Limited as the facility agent for dual tranche transferrable term loan facilities denominated in both H.K. dollars and U.S. dollars in an aggregate amount equivalent to approximately US\$800 million for a term of four years commencing from July 31, 2015 (the "2015 Club Loan"). On December 7, 2015, we and the facility agent entered into a supplement to the facility agreement pursuant to which, among others, the amount under the 2015 Club Loan was increased from US\$800 million to US\$975 million. On December 14, 2015, we drew down the facility in full. On December 1, 2016, we and The Hongkong and Shanghai Banking Corporation Limited entered into a facility letter for a new bridging loan in the amount of US\$139 million with a tenor of four months (the "Bridging Loan"). On December 29, 2016, we drew down US\$80 million from such bridging loan, but have fully repaid such amount as of the date of this offering memorandum. On December 8, 2016, we entered into a facility agreement with several lenders and Bank of China (Hong Kong) Limited as the facility agent for a US\$1.5 billion equivalent dual tranche transferable term loan facility (the "2016 Club Loan") and as of the date of this offering memorandum, we had an aggregate amount of HK\$3,790 million (which may be increased upon accession of lenders) and US\$1,014.1 million (which may be increased upon accession of lenders) outstanding under the 2016 Club Loan. On October 17, 2017, we entered into a facility agreement with several lenders and China Construction Bank Corporation, Hong Kong Branch, as the facility agent for a HK\$2,454 million and US\$935

million dual tranche transferable term loan facility (the “2017 Club Loan”) and as of the date of this offering memorandum, we had an aggregate amount of HK\$1,638.0 million (which may be increased upon accession of lenders) and US\$620.0 million (which may be increased upon accession of lenders) outstanding under the 2017 Club Loan. On December 27, 2017, we entered into a facility agreement with BNP Paribas in relation to a term loan facility in an amount of HK\$1,781 million for a term of three years. The term loan is to be applied towards the financing or refinancing of certain acquisitions.

Our offshore facilities typically have terms ranging from one year to five years.

Guarantee and security

One of our facilities under the facility agreement with Hang Seng Bank Limited is guaranteed by Angel View International Limited for up to US\$40.0 million. Our loan with Wing Lung Bank Limited is secured by a standby letter of credit from China Merchants Bank Co. Ltd. Our Malaysian loans is guaranteed by our Malaysian subsidiaries and are secured by standby letters of credit and/or their land interests in the relevant projects and associated rights. We also guarantee portions of the loans with Public Bank Berhad, Bank of China (Malaysia) Berhad and Industrial and Commercial Bank of China (Malaysia) Berhad. Our term loan with BNP Paribas is guaranteed by certain of our offshore subsidiaries and secured by shares in the acquisition target.

The obligations pursuant to the 2014 Club Loan, the 2015 Club Loan, the 2016 Club Loan and the 2017 Club Loan are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes and the November 2018 Notes (the “Club Loan Subsidiary Guarantors”). Each of the Club Loan Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the 2014 Club Loan, the 2015 Club Loan, the 2016 Club Loan and the 2017 Club Loan. The 2014 Club Loan, 2015 Club Loan, the 2016 Club Loan and the 2017 Club Loan and the subsidiary guarantees provided by the Club Loan Subsidiary Guarantors are secured by the Shared Collateral. See “—November 2018 Notes—Collateral.”

Interest

The principal amounts outstanding under these loans generally bear interest at floating rates calculated with reference to the London Interbank Offered Rate or Hong Kong Interbank Offered Rate and for several of our Malaysian loans, the base lending rates of the Malaysian banks.

Covenants

Other than our revolving loan and foreign exchange line with The Hongkong and Shanghai Banking Corporation Limited, our other loans contains customary covenants and restrictions, including, amongst others, negative pledge on assets (with certain exemptions), financial covenants including consolidated tangible net worth, consolidated net borrowings and interest coverage ratios.

Events of default

These offshore facilities contain certain customary events of default, including non-payment of principal or interest, cross default, insolvency and breaches of its terms. If an event of default occurs, all amounts outstanding including all interest accrued thereon may become immediately due and payable.

Perpetual Capital Instrument

In April 2014, the Company and two of our wholly owned subsidiaries, Foshan Shunde Country Garden Property Development Co., Ltd. and Zengcheng Country Garden Property Development Co., Ltd., entered into a perpetual loan agreement with Wanjia Co-Win Asset Management Co., Ltd., pursuant to which Foshan Shunde Country Garden Property Development Co., Ltd. was granted an aggregate principal amount of RMB400.0 million perpetual facility (the “Perpetual Capital Instrument”). The Perpetual Capital Instrument is considered as “equity” for our accounting purposes.

Guarantee

The Perpetual Capital Instrument has varying credit support structures and is guaranteed by the Company and Zengcheng Country Garden Property Development Co., Ltd. Each of the guarantors guarantees the due and punctual payment of the principal, the distributions on, and all other amounts payable under the perpetual loan agreement.

Distributions

The Perpetual Capital Instrument provides for annual distributions and bears a base distribution rate of 10.2%, 10.4%, 13.0% and 16.0% from first to fourth year, respectively, and 19% for the fifth year and beyond. We may elect to defer our distributions if we do not pay dividends on the capital stock of the Company and Foshan Shunde Country Garden Property Development Co., Ltd. for that year, subject to a premium on the deferred distribution (up to a ceiling of distribution rate of 19.0%). Such deferral will not constitute an event of default.

Covenants

Subject to certain conditions and exceptions, the perpetual loan agreement contains certain covenants, restricting the Company and Foshan Shunde Country Garden Property Development Co., Ltd. from, among other things:

- filing for bankruptcy, dissolution, insolvency or business certificate deregistration;
- restructuring or reorganizing;
- changing the Company’s controlling shareholders;
- selling all or part of the shares of Foshan Shunde Country Garden Property Development Co., Ltd. to parties other than the Company and its subsidiaries;
- creating liens; and
- changing the shareholding structure of Foshan Shunde Country Garden Property Development Co., Ltd. other than transferring its shares to the Company and its subsidiaries.

Events of default

The Perpetual Capital Instrument contains certain customary events of default, including failure to make payments for principal of, and distributions on, the Perpetual Capital Instrument when

due and payable. If Foshan Shunde Country Garden Property Development Co., Ltd. fails to make distributions when due and payable, the Perpetual Capital Instrument holders may require Foshan Shunde Country Garden Property Development Co., Ltd. to start insolvency procedures within 30 days of the original distribution date.

Maturity and redemption

The Perpetual Capital Instrument does not have a maturity date or any mandatory redemption options. If Foshan Shunde Country Garden Property Development Co., Ltd. commences an insolvency proceeding, it must redeem the instrument and repay the principal and all unpaid distributions.

Trust Financing

From time to time, our PRC subsidiaries enter into financing arrangements with local trust institutions. These local trust institutions provide trust loans for purposes of our project development in return for interest payments, and have terms ranging from 12 to 36 months. We have also entered into arrangements whereby our PRC subsidiaries' rights to receive dividends or the proceeds from property sales or accounts receivables were sold and repurchased after a period of time. Some of our trust loans and financing arrangements are guaranteed by our Company or secured by the relevant PRC subsidiaries' shares (through share pledge or ownership of shares) or land use rights in favor of the trust finance provider, or a combination of these. The trust loans and financing arrangements contain customary events of default, including non-payment of principal or interest and breaches of the terms of the arrangements. If an event of default has occurred, the trust finance provider may, without prior notice, exercise its rights to realize the security held under the share pledge agreement and land mortgage agreement, and demand payments from us as guarantor.

Asset-backed Securities

Zengcheng January 2016 Asset-backed Securities

Zengcheng Country Garden Property Development Co. Ltd. issued asset-backed securities in the principal amount of RMB2,945,500,000 in the PRC in January 2016 (the "Zengcheng January 2016 Asset-backed Securities"). The senior tranche is in the principal amount of RMB2,800,000,000 with a coupon rate of 5.10% per annum and a term of four years. The equity tranche is in the principal amount of RMB145,500,000 with a term of four years, which does not have an explicit coupon rate but will receive the residual cash flows collected from the balance payment after distributions to the senior tranche. The Zengcheng January 2016 Asset-backed Securities are backed by certain contract receivables rights of Zengcheng Country Garden Property Development Co. Ltd. The proceeds from the issuance of Zengcheng January 2016 Asset-backed Securities shall be used for our general working capital purposes. We provide guarantees to the manager of the Zengcheng January 2016 Asset-backed Securities (for the benefit of the holders of the senior tranche) on the punctual performance by Zengcheng Country Garden Property Development Co. Ltd. of its shortfall payment obligations.

Zengcheng June 2016 Asset-backed Securities

Zengcheng Country Garden Property Development Co. Ltd. issued asset-backed securities in the principal amount of RMB4,800,000,000 in the PRC in June 2016 (the "Zengcheng June 2016 Asset-

backed Securities”). The senior tranche A (“Tranche A”), senior tranche B (“Tranche B”) and senior tranche C (“Tranche C”) of the Zengcheng June 2016 Asset-backed Securities are issued in the principal amount of RMB4,050,000,000 with a coupon rate of 4.5% per annum and a term of two years, the principal amount of RMB200,000,000 with a coupon rate of 5.65% per annum and a term of two years, and the principal amount of RMB200,000,000 with a coupon rate of 5.8% per annum and a term of two years, respectively. The equity tranche is in the principal amount of RMB350,000,000 with a term of two years. It does not have an explicit coupon rate but receives the residual cash flows collected from the balance payment after distributions to Tranche A, Tranche B and Tranche C. The Zengcheng June 2016 Asset-backed Securities are backed by the account receivables for the balance payment of properties sold. The proceeds from the issuance of the Zengcheng June 2016 Asset-backed Securities shall be used for our general working capital purposes.

Fujian Asset-backed Securities

Fujian Country Garden Property Development Co. Ltd., our wholly-owned subsidiary, issued asset-backed securities in the principal amount of RMB1,411,000,000 in the PRC in June 2016 (the “Fujian Asset-backed Securities”). The senior tranche A1 (“Tranche A1”) and the senior tranche A2 (“Tranche A2”) were issued in the principal amount of RMB390,000,000 with a coupon rate of 4.5% per annum and a term of one year, and the principal amount of RMB540,000,000 with a coupon rate of 5.0% per annum and a term of two years, respectively. The senior tranche B (“Tranche B”) was issued in the principal amount of RMB410,000,000 with a coupon rate of 6.0% per annum and a term of two years. The equity tranche was issued in the principal amount of RMB71,000,000 with a term of two years. It does not have an explicit coupon rate but receives the residual cash flows collected from the balance payment after distributions to Tranche A1, Tranche A2 and Tranche B. The Fujian Asset-backed Securities are backed by the account receivables for the balance payment of properties sold. The proceeds from the issuance of the Fujian Asset-backed Securities shall be used for our general working capital purposes.

Other Securitization Arrangement

In October 2016, we entered into an asset backed securitization arrangement whereby the rights to receive payments for property sales for one of our Malaysian projects were assigned to a third party entity. The third party entity issued securities in an aggregate principal amount of US\$120,000,000 in October 2016, for which we provided a guarantee on payment shortfalls of the third party entity.

Hedging Obligations

In line with our risk management policy to hedge against interest rate and foreign exchange risks, we have entered into swap transactions with various financial institutions. On June 30, 2016, we entered into the GS Hedging Documents with Goldman Sachs International. Our GS Hedging Obligations thereunder are guaranteed by the same Subsidiary Guarantors. On June 30, 2016, Goldman Sachs International entered into a supplement to the Intercreditor Agreement and became a secured party under the Intercreditor Agreement. On May 9, 2017, we entered into the DB Hedging Documents with Deutsche Bank AG. Our DB Hedging Obligations thereunder are guaranteed by the same Subsidiary Guarantors. On May 9, 2017, Deutsche Bank AG entered into a supplement to the Intercreditor Agreement and became a secured party under the Intercreditor Agreement.

Description of the January 2023 Notes

For purposes of this “Description of the Notes,” the term “Company” refers only to Country Garden Holdings Company Limited, and any successor obligor on the Notes, and not to any of its subsidiaries. Each subsidiary of the Company which guarantees the Notes is referred to as a “Subsidiary Guarantor,” and each such guarantee is referred to as a “Subsidiary Guarantee.” For the purposes of this section, the term “Notes” refers to the January 2023 Notes.

The Notes are to be issued under an indenture (the “Indenture”), to be dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, and Citicorp International Limited as trustee (the “Trustee”).

The following is a summary of certain material provisions of the Indenture, the Notes, the Subsidiary Guarantees and the Intercreditor Agreement. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees and the Intercreditor Agreement. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available on or after the Original Issue Date at the corporate trust office of the Trustee at Citicorp International Limited, 39/F Champion Tower, Three Garden Road, 3 Garden Road, Central, Hong Kong.

Brief description of the Notes

The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors on a senior basis, subject to the limitations described below under the caption “—The Subsidiary Guarantees” and in “Risk Factors—Risks relating to the Subsidiary Guarantees and the Collateral;”
- effectively subordinated to the other secured obligations of the Company and the Subsidiary Guarantors, to the extent of the value of the assets (other than the Collateral) serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

In addition, on the Original Issue Date, subject to the limitations described in “Risk Factors—Risks relating to the Subsidiary Guarantees and the Collateral,” the Notes will be secured by a pledge of the Collateral as described below under the caption “—Security” and will:

- be entitled to a first priority lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement); and

- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The Notes will mature on January 17, 2023 unless earlier redeemed pursuant to the terms thereof and the Indenture. The Indenture allows additional Notes to be issued from time to time (the "Additional Notes"), subject to certain limitations described under "—Further issues." Unless the context requires otherwise, references to the "Notes" for all purposes of the Indenture and this "Description of the Notes" include any Additional Notes that are actually issued. The Notes will bear interest at the rate per annum set forth on the cover page of this offering memorandum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semiannually in arrears on January 17 and June 17 of each year (each an "Interest Payment Date"), commencing June 17, 2018.

Interest on the Notes, when in the form of Global Notes, will be paid to holders of Notes ("Holders") of record at the close of business on January 16 or June 16 and, when in the form of Certificated Notes, on January 2 or June 2, 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. In any case in which the date of the payment of principal of, premium on, or interest on the Notes is not a Business Day in the relevant place of payment, then payment of principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date. Interest on the Notes will be calculated on the basis of a 360-day year composed of twelve 30-day months.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be the specified office of the Paying Agent, currently located at 1 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 Company, payment of interest may be made by check mailed at the expense of the Company to the address of the Holders as such address appears in the Note register. Interest payable on the Notes held through Euroclear and Clearstream will be available to participants (as defined herein) on the Business Day following payment thereof.

The Subsidiary Guarantees

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will be Smart World Development Holdings Ltd, Angel View International Limited, Boavista Investments Limited, Estonia Development Ltd, Falcon Investments Development Ltd, Impreza Group Limited, Infiniti Holdings Development Limited, United Gain Group Ltd, Wise Fame Group Ltd and Country Garden (Hong Kong) Development Company Limited. These Subsidiary Guarantors consist of all of the Company's Restricted Subsidiaries other than the Non-Guarantor Subsidiaries (defined below). All of the Subsidiary Guarantors are holding companies that do not

have significant operations. None of Power Great Enterprises Limited, Beauty Dawn Investments Limited, Honest Sino Limited, Joygain Global Limited, Ray Source Limited, View Glory Enterprises Limited, Fortune Map Ventures Limited, Able Wide Enterprise Limited, Alpha Vision Global Limited, Chuang's Development (Dong Guan) Limited, On Profit Investment Limited, Apex Epoch Limited, Beauty Honour Enterprises Limited, Silver Chase Investment Limited, Silver Dragon Investment Limited, Great Yield Global Limited, More Rise Enterprises Limited, Grace Jet Investment Limited, August Bliss Limited, Nice Energy Development Limited, Smart Insight International Limited, Country Garden Properties (Hong Kong) Ltd., Spring Blossom Ventures Limited, Joint Victory Holdings Limited, Dazzling Beauty Limited, Gold Ease Global Limited, Beaming Year Holdings Limited and the Unrestricted Subsidiaries and the Restricted Subsidiaries organized under the laws of the PRC (collectively, the "PRC Non-Guarantor Subsidiaries") will be a Subsidiary Guarantor on the Original Issue Date.

As used herein, "Non-Guarantor Restricted Subsidiaries" refers to the Restricted Subsidiaries that are not a Subsidiary Guarantor, including as of the Original Issue Date, the PRC Non-Guarantor Subsidiaries and Power Great Enterprises Limited, Beauty Dawn Investments Limited, Honest Sino Limited, Joygain Global Limited, Ray Source Limited, View Glory Enterprises Limited, Fortune Map Ventures Limited, Able Wide Enterprise Limited, Alpha Vision Global Limited, Chuang's Development (Dong Guan) Limited, On Profit Investment Limited, Apex Epoch Limited, Beauty Honour Enterprises Limited, Silver Chase Investment Limited, Silver Dragon Investment Limited, Great Yield Global Limited, More Rise Enterprises Limited, Grace Jet Investment Limited, August Bliss Limited, Nice Energy Development Limited, Smart Insight International Limited, Country Garden Properties (Hong Kong) Ltd., Joint Victory Holdings Limited, Spring Blossom Ventures Limited, Dazzling Beauty Limited, Gold Ease Global Limited and Beaming Year Holdings Limited. The Non-Guarantor Restricted Subsidiaries together with the Unrestricted Subsidiaries are referred to herein as the "Non-Guarantor Subsidiaries."

None of the existing Non-Guarantor Subsidiaries will at any time in the future provide a Subsidiary Guarantee unless designated as a Subsidiary Guarantor in accordance with the Indenture. Moreover, no future Restricted Subsidiaries organized under the laws of the PRC or any Exempted Subsidiaries (as defined below) will provide a Subsidiary Guarantee at any time in the future. Although the Indenture contains limitations on the amount of additional Indebtedness that Restricted Subsidiaries organized under the laws of the PRC 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.

As of June 30, 2017,

- the Company and its consolidated subsidiaries had total consolidated borrowings (including bank and other borrowings, receipts under securitization arrangements, the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes and corporate bonds) of approximately RMB162,432.1 million (US\$23,960.0 million), including short-term borrowings (including the current portion of long-term bank and other borrowings and receipts under securitization arrangements) of RMB46,801.8 million (US\$6,903.6 million); and

- the Company and its consolidated subsidiaries had contingent liabilities of approximately RMB242,086.5 million (US\$35,709.7 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; and
- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC and Exempted Subsidiaries) as soon as practicable after it becomes a Restricted Subsidiary or, in the case of an Exempted Subsidiary, as soon as practicable after it ceases to be an Exempted 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. Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date is referred to as a "Future Subsidiary Guarantor" and upon execution of the applicable supplemental indenture to the Indenture will be a "Subsidiary Guarantor." Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary organized outside the PRC not provide a Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary (Restricted Subsidiaries other than those organized under the laws of the PRC that become Restricted Subsidiaries after the Original Issue Date and that do not provide Subsidiary Guarantees in accordance with the Indenture, the "New Non-Guarantor Restricted Subsidiaries"), provided that, after taking into account the consolidated assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries) that are not Subsidiary Guarantors do not account for more than 20% of Total Assets.

So long as the Notes remain outstanding, the Company will, no later than 60 days after the date any semi-annual consolidated financial statements of the Company (which the Company must use its reasonable best efforts to compile on a timely basis) become available (which may be internal consolidated financial statements), calculate and determine whether the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors (other than Exempted Subsidiaries) exceed 20% of Total Assets. If, at such time of determination, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors (other than Exempted Subsidiaries) exceed 20% of Total Assets, the Company must promptly (i) remove the designation of one or more Non-Guarantor Restricted Subsidiaries and cause such Non-Guarantor Restricted Subsidiaries to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiaries will guarantee the payment of the Notes or (ii) designate one or more Non-Guarantor Restricted Subsidiaries as Unrestricted Subsidiaries or (iii) cause one or more Non-Guarantor Restricted Subsidiaries to pay dividends or make distributions on or with respect to their respective Capital Stock pro rata to their respective shareholders or on a basis more favorable to the Company, in

the case of each of (i), (ii) and (iii) above, in accordance with the terms of the Indenture and such that the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors (other than Exempted Subsidiaries) no longer exceed 20% of Total Assets. Such removal of designation as a Non-Guarantor Restricted Subsidiary, designation as an Unrestricted Subsidiary or payment of dividends or distributions must be made promptly and in any event no later than 60 days after the date any semi-annual consolidated financial statements of the Company (which the Company must use its reasonable best efforts to compile on a timely basis) become available (which may be internal consolidated financial statements) which show that the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors (other than Exempted Subsidiaries) exceed 20% of Total Assets.

In the case of a Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with or after the consummation of such sale or issuance of Capital Stock, (a) instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized outside the PRC will become "New Non-Guarantor Restricted Subsidiaries" (such that each New Non-Guarantor Restricted Subsidiary will no longer Guarantee the Notes) and (b) instruct the Collateral Agent to (i) discharge the pledge of the Capital Stock granted by each such New Non-Guarantor Restricted Subsidiary and (ii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in such New Non-Guarantor Restricted Subsidiary, (in each case, without any requirement to seek the consent or approval of the Holders of the Notes), provided that after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries) that are not a Subsidiary Guarantor (including the New Non-Guarantor Restricted Subsidiaries) do not account for more than 20% of Total Assets. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee or (b) requiring the Company or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Company by such Subsidiary Guarantor.

In addition, subject to the limitations described in "Risk Factors—Risks relating to the Subsidiary Guarantees and the Collateral," the Subsidiary Guarantees of each Subsidiary Guarantor Pledgor:

- will be entitled to a first ranking security interest in the Collateral (subject to any Permitted Liens and the Intercreditor Agreement) pledged by such Subsidiary Guarantor Pledgor, as described below under the caption "—Security;" and
- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

Under the Indenture and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The Subsidiary Guarantors will (1) agree that their obligations under the Subsidiary Guarantees

will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees. 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 will be reinstated with respect to such payments as though such payment had not been made. All payments under the Subsidiary Guarantees are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. If a 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, and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee could be reduced to zero.

The obligations of each Subsidiary Guarantor under its respective Subsidiary Guarantee and the enforceability of the Collateral granted in respect of the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors may be limited, or possibly invalid, under applicable laws. See "Risk Factors—Risks relating to the Subsidiary Guarantees and the Collateral—The Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees."

Release of the Subsidiary Guarantees

A Subsidiary Guarantee given by a 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 as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale, disposition or merger of a Subsidiary Guarantor in compliance with the terms of the Indenture (including the covenants under the captions "—Certain covenants—Limitation on sales and issuances of Capital Stock in Restricted Subsidiaries," "—Certain covenants—Limitation on Asset Sales" and "—Consolidation, merger and sale of assets") resulting in such Subsidiary Guarantor no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale or disposition are used for the purposes permitted or required by the Indenture; or
- in the case of a Subsidiary Guarantor that becomes a New Non-Guarantor Restricted Subsidiary, in compliance with the terms of the Indenture.

As of the date of the Indenture, all of the Company's Subsidiaries, except Bright Start Group Limited, Top Favor Holdings Limited, Golden Favor Investments Limited, Pure Smart Enterprises

Limited, Country Garden Properties (Malaysia) Sdn Bhd, Vibrant Corridor Sdn Bhd, Mayland Venue Sdn Bhd, Country Garden Real Estate Sdn Bhd, Country Garden Danga Bay Sdn Bhd, Country Garden (S) Pte. Ltd, Great Favor Holdings Limited, Country Garden Australia Pty Ltd, Country Garden Landscape Sdn. Bhd., BGY North Ryde Pty Ltd, Damai Binajaya Sdn. Bhd., Country Garden Waterfront Sdn. Bhd., Country Garden Pacificview Sdn. Bhd., Suntide Holdings Limited, Silver Dawn Holdings Limited, Sky Global International Development Limited, World Target International Development Limited, Gold Treasure International Development Limited, Yield Limited, Dongguan River Bank Garden Property Development Co., Ltd, PT. Country Garden Indonesia, Country Garden (Canada) Corporation, 675654 N.B. Inc., 675656 N.B. Inc., 675657 N.B. Inc., AG Consultant Pty Ltd, Giant Leap Construction Sdn Bhd, Country Garden Commercial Management Sdn. Bhd. (formerly known as Country Garden Seaview Sdn Bhd), CGPV Industrial Building System Sdn. Bhd. (formerly known as Country Garden Waterview Sdn Bhd, Giant Light M&E Engineering Sdn Bhd, Teng Yue Overseas Construction Sdn Bhd, Green Prospect Investments Limited, Excel Group Developments Limited, BGY Australia Holdings Pty Ltd, BGY US Real Estate, LLC, Azure Sea International Limited, Beauty Humble Limited, Great Stride Investments Limited, Harbor Ease Limited, Scenic Reserve Limited, Tin Spring Limited, Top Speed Enterprises Limited, View Glory Enterprises Limited, Ascent Win Limited, Credit Source Limited, Grace Will Holdings Limited, New Prime Investments Limited, Winning Billion Limited, Qianhai Country Garden Huijin Investment Consulting (Shenzhen Co., Ltd, Qianhai Country Garden Fuxin Investment Consulting (Shenzhen) Co., Ltd, Country Garden St Leonards No.1 Pty Ltd, Country Garden St Leonards No.2 Pty Ltd, Country Garden St Leonards Pty Ltd, Country Garden Forest City Phoenix Hotel Sdn Bhd (formerly known as Country Garden Hotel Management Sdn Bhd), Transcend Commercial Management Sdn Bhd, Genesis Commercial Management Sdn Bhd, Forest City Branding Sdn Bhd, Country Garden Logistics Sdn Bhd, Country Garden Finance Holdings and Great Sino Development Limited will be "Restricted Subsidiaries." However, under the circumstances described below under the caption "—Certain covenants—Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not Guarantee the Notes.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officers' Certificate stating that all requirements under the Indenture relating to such release have been complied with and that such release is authorized and permitted by the Indenture.

Security

The Company has pledged, or caused the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Capital Stock of all of the initial Subsidiary Guarantors (the "Collateral") on a first priority basis to The Bank of New York Mellon as collateral agent (for the benefit of the 2019 Private Notes Trustee, the 2020 Trustee, the 2021 Trustee, the 2023 Trustee, the September 2023 Trustee, the 2026 Trustee, the 2022 Trustee, the November 2018 Notes and each holder of *pari passu* secured indebtedness permitted under, the 2019 Private Notes Indenture, the 2020 Indenture, the 2021 Indenture, the 2023 Indenture, the September 2023 Indenture and the 2026 Indenture) in order to secure the obligations of the Company and the Subsidiary Guarantor Pledgors under the 2019 Private Notes Indenture, the 2020 Indenture, the 2021 Indenture, the 2023 Indenture, the September 2023 Indenture, the 2026 Indenture, the 2022 Indenture and the November 2018 Indenture.

On the Original Issue Date, the Collateral will secure on a *pari passu* basis the obligations of the Company under, (i) the 2019 Private Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2019 Private Notes Indenture, (ii) the 2020 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2020 Indenture, (iii) the 2021 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2021 Indenture, (iv) the 2023 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2023 Indenture, (v) the September 2023 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the September 2023 Indenture, (vi) the 2026 Notes and the subsidiary guarantees provided by the Subsidiary Guarantees Pledgors under the September 2026 Indenture, (vii) the 2022 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2022 Indenture, (viii) the November 2018 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the November 2018 Indenture, (ix) the 2014 Club Loan and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2014 Credit Agreement, (x) the 2015 Club Loan and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2015 Facility Agreement, (xi) the 2016 Club Loan and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2016 Facility Agreement, (xii) the 2017 Club Loan and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2017 Facility Agreement, (xiii) the GS Hedging Obligations, (xiv) the DB Hedging Obligations and (xv) the Notes and the Subsidiary Guarantees provided by the Subsidiary Guarantor Pledgors under the Indenture. See “—Intercreditor Agreement.”

The initial Subsidiary Guarantor Pledgors are Smart World Development Holdings Ltd, Infiniti Holdings Development Limited, Wise Fame Group Ltd., Falcon Investments Development Ltd., and Impreza Group Limited.

None of the Capital Stock of the Non-Guarantor Subsidiaries will be pledged on the Original Issue Date or at any time in the future. In addition, none of the Capital Stock of any future Restricted Subsidiary that may be organized under the laws of the PRC will be pledged at any time in the future.

The Company has also agreed, for the benefit of the holders of the Notes, to pledge, or cause each Subsidiary Guarantor to pledge, the Capital Stock owned directly by the Company or such Subsidiary Guarantor of any Person that becomes a Restricted Subsidiary (other than Persons organized under the laws of the PRC and other Non-Guarantor Subsidiaries) after the Original Issue Date, within 30 days after such Person has become a Restricted Subsidiary or (in the case of an Exempted Subsidiary) has ceased to be an Exempted Subsidiary, to secure (subject to Permitted Liens and the Intercreditor Agreement) the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, in the manner described above.

Each Subsidiary Guarantor that pledges capital stock of a Restricted Subsidiary after the Original Issue Date is referred to as a “Future Subsidiary Guarantor Pledgor” and, upon giving such pledge, will be a “Subsidiary Guarantor Pledgor.”

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Intercreditor Agreement and the Security Documents following an Event of Default, would be sufficient to satisfy amounts due on the Notes, the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors or other Secured Obligations. By its nature, some or all of the

Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

So long as no Payment Default has occurred and is continuing, and subject to the terms of the Security Documents and the Indenture, the Company and the Subsidiary Guarantor Pledgors, as the case may be, will be entitled to exercise any and all voting rights and to receive, retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

Permitted *Pari passu* Secured Indebtedness

On or after the Original Issue Date and subject to the Indenture, the Company and each Subsidiary Guarantor Pledgor may create Liens on the Collateral *pari passu* with the Lien for the benefit of the Holders to secure Indebtedness of the Company (including Additional Notes) or any Subsidiary Guarantor and any *Pari passu* Subsidiary Guarantee of a Subsidiary Guarantor Pledgor with respect to such Indebtedness (such Indebtedness of the Company or any Subsidiary Guarantor and any such *Pari passu* Subsidiary Guarantee, “Permitted *Pari passu* Secured Indebtedness”); provided that (1) the Company or such Subsidiary Guarantor was permitted to incur such Indebtedness under the covenant under the caption “—Certain covenants—Limitation on Indebtedness and Preferred Stock,” (2) the holders of such Indebtedness (other than Additional Notes) (or their representative, trustee or agent) become party to the Intercreditor Agreement referred to below; (3) the agreement in respect of such Indebtedness contains provisions with respect to releases of Collateral and such *Pari passu* Subsidiary Guarantee that are substantially similar to and no more restrictive on the Company and such Subsidiary Guarantor Pledgor than the provisions of the Indenture and the Security Documents; and (4) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee an Opinion of Counsel and Officers’ Certificate with respect to compliance with the conditions stated immediately above and other corporate and collateral matters in connection with the Security Documents, in form and substance as set forth in the Security Documents. The Trustee will be permitted and authorized, without the consent of any Holder, to enter into any amendments to the Security Documents, the Indenture or the Intercreditor Agreement and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted *Pari passu* Secured Indebtedness in accordance with this paragraph (including, without limitation, the appointment of any collateral agent under the Intercreditor Agreement referred to below to hold the Collateral on behalf of the Holders and the holders of Permitted *Pari passu* Secured Indebtedness).

Except for certain Permitted Liens and the Permitted *Pari passu* Secured Indebtedness, the Company and its Restricted Subsidiaries will not be permitted to issue or incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

Intercreditor Agreement

The Company, and The Bank of New York Mellon solely in its capacity as collateral agent and intercreditor agent (in each case referred to herein as the “Intercreditor/Collateral Agent”), among others, are party to an intercreditor agreement dated September 10, 2009. The intercreditor agreement has been amended and supplemented by supplemental intercreditor agreements on

September 23, 2009, April 22, 2010, August 11, 2010, February 23, 2011, January 10, 2013, October 4, 2013, May 27, 2014, June 5, 2014, December 17, 2014, December 18, 2014, March 9, 2015, September 28, 2016, December 15, 2016, March 16, 2017, May 9, 2017, July 25, 2017, November 6, 2017 and November 30, 2017 (the intercreditor agreement as amended and supplemented, the "Existing Intercreditor Agreement") and the following parties have acceded to the intercreditor agreement: the trustee on behalf of the holders of the 11.750% Senior Notes due 2014 (which have been fully redeemed), the trustee on behalf of the holders of the 11.250% Senior Notes due 2017 (which have been fully redeemed), the trustee on behalf of the holders of the 10.500% Senior Notes due 2015 (which have been fully redeemed), the trustee on behalf of the holders of the 11.125% Senior Notes due 2018 Notes (which have been fully redeemed), the 2023 Trustee on behalf of the holders of the 2023 Notes, the 2021 Trustee on behalf of the holders of the 2021 Notes, the 2020 Trustee on behalf of the holders of the 2020 Notes (which have been fully redeemed), the 2019 Trustee on behalf of the holders of the 2019 Notes, the 2019 Private Notes Trustee on behalf of the holders of the 2019 Private Notes, the September 2023 Trustee on behalf of the holders of the September 2023 Notes, the 2026 Trustee on behalf of the holders of the 2026 Notes, the 2022 Trustee on behalf of the holders of the 2022 Notes, the November 2018 Trustee on behalf of the holders of the November 2018 Notes, the 2014 Facility Agent on behalf of the lenders of the 2014 Club Loan, the 2015 Facility Agent on behalf of the lenders of the 2015 Club Loan, the 2016 Facility Agent on behalf of the lenders of the 2016 Club Loan, the 2017 Facility Agent on behalf of the lenders of the 2017 Club Loan, Goldman Sachs International as beneficiary of the GS Hedging Obligations under the ISDA Agreement and the GS Guarantee and Deutsche Bank AG as beneficiary of the DB Hedging Obligations under the DB Agreement and the DB Guarantee. On or prior to the Original Issue Date, the Trustee on behalf of the holders of the Notes will enter into a supplement to the Existing Intercreditor Agreement with the parties to the Existing Intercreditor Agreement to supplement and amend the Existing Intercreditor Agreement (the Existing Intercreditor Agreement as supplemented and amended from time to time pursuant to the terms thereof is herein referred to as the "Intercreditor Agreement").

Under the Intercreditor Agreement, the 2019 Private Notes Trustee on behalf of the holders of the 2019 Private Notes, the 2020 Trustee on behalf of the holders of the 2020 Notes, the 2021 Trustee on behalf of the holders of the 2021 Notes, the 2023 Trustee on behalf of the holders of the 2023 Notes, the September 2023 Trustee on behalf of the holders of the September 2023 Notes, the 2026 Trustee on behalf of the holders of the 2026 Notes, the 2022 Trustee on behalf of the 2022 Notes, the November 2018 Trustee on behalf of the November 2018 Notes, the 2014 Facility Agent on behalf of the lenders of the 2014 Club Loan, the 2015 Facility Agent on behalf of the lenders of the 2015 Club Loan, the 2016 Facility Agent on behalf of the lenders of the 2016 Club Loan, the 2017 Facility Agent on behalf of the lenders of the 2017 Club Loan, Goldman Sachs International as beneficiary of the GS Hedging Obligations under the ISDA Agreement and the GS Guarantee, Deutsche Bank AG as beneficiary of the DB Hedging Obligations under the DB Agreement and the DB Guarantee and the Trustee on behalf of the holders of the Notes (collectively with each holder (or its trustee or representative) of *pari passu* secured indebtedness permitted under the 2019 Private Notes Indenture, the 2020 Indenture, the 2021 Indenture, the 2023 Indenture, the September 2023 Indenture, the 2026 Indenture, the 2022 Indenture, the November 2018 Indenture, the 2014 Club Loan, the 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan, the GS Hedging Obligations and the DB Hedging Obligations who becomes a party to the Intercreditor Agreement pursuant to the terms thereof, the "Secured Parties") will have appointed The Bank of New York Mellon to act as the Intercreditor/Collateral Agent with respect to the Collateral securing the obligations under the 2019 Private Notes Indenture, the 2020 Indenture, the 2021 Indenture, the 2023 Indenture, the

September 2023 Indenture, the 2026 Indenture, the 2022 Indenture, the November 2018 Indenture, the 2014 Club Loan, the 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan, the GS Hedging Obligations, the DB Hedging Obligations and the Indenture (collectively, the "Secured Obligations"), to exercise remedies in respect thereof upon the occurrence of an event of default under the Secured Obligations and to act as specified in the Intercreditor Agreement.

The Intercreditor Agreement will provide, among other things, that (1) the parties thereto shall share equal priority and pro rata entitlement in and to the Collateral, (2) the conditions under which the parties thereto will consent to the release of such Collateral, and (3) the conditions under which the parties thereto will enforce their rights with respect to such Collateral and the Indebtedness secured thereby.

Enforcement of security

The Intercreditor/Collateral Agent has agreed to act as secured party on behalf of the Secured Parties to follow the instructions provided to it under the Intercreditor Agreement and to carry out certain other duties.

The Intercreditor Agreement will provide, among other things, that each of the Secured Parties may direct the Intercreditor/Collateral Agent to initiate enforcement against the Collateral secured for the benefit of such Secured Party after notice to the other Secured Parties. In the event that the Secured Parties have not agreed to initiate enforcement, then, twenty business days after the non-enforcing parties shall have been notified of the intent to initiate enforcement against any of the Collateral, the enforcing party may direct the Intercreditor/Collateral Agent to commence enforcement proceedings in accordance with the terms of the Secured Obligations; provided that all direction with respect to the further timing and manner of such exercise following such commencement shall be given by the Secured Parties.

The Intercreditor Agreement will provide that all payments received and all amounts held by the Intercreditor/Collateral Agent in respect of the Collateral will be applied as follows:

first, to the ratable payment of the expenses of such sale or other realization, including but not limited to compensation to the Intercreditor/Collateral Agent and all expenses, liabilities and advances incurred or made by the secured parties in connection therewith, and any other unreimbursed expenses for which such parties are to be reimbursed pursuant to the secured party documents, and to the ratable payment of any other unreimbursed expenses for which a Secured Party is to be reimbursed pursuant to the secured party documents;

second, to the ratable payment of accrued but unpaid interest on the Secured Obligations;

third, to the ratable payment of unpaid principal of the Secured Obligations;

fourth, to any make-whole premium or any other premium payable pursuant to the secured party documents;

fifth, to the ratable payment of all other Secured Obligations, until all Secured Obligations shall have been paid in full; and

finally, any surplus remaining after such payments to the Company or the Subsidiary Guarantor Pledgors or their successors or assigns, or to whomever may be lawfully entitled thereto.

Release of security

At any time and from time to time, the Intercreditor/Collateral Agent shall release the Collateral with the prior written consent of the Secured Parties and in accordance with the provisions of the Intercreditor Agreement.

Subject to the provisions of the Intercreditor Agreement, the security created in respect of the Collateral granted under the Security Documents may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon defeasance and discharge of the Notes as provided below under the caption “—Defeasance—Defeasance and discharge;”
- upon dispositions of such Collateral in compliance with the covenants under the captions “Certain covenants—Limitation on sales and issuances of Capital Stock in Restricted Subsidiaries” or “—Limitation on Asset Sales” or in accordance with the provision under the caption “—Consolidation, merger and sale of assets;”
- with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor in accordance with the terms of the Indenture;
- with respect to security granted by any Subsidiary Guarantor and security over the Capital Stock of any Subsidiary Guarantor, upon such Subsidiary Guarantor becoming a New Non-Guarantor Restricted Subsidiary;
- with respect to any security over any Capital Stock of any Subsidiary Guarantor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor; and
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor, upon the designation by the Company of such Subsidiary Guarantor as an Unrestricted Subsidiary, and in accordance with the terms of the Indenture.

Further issues

Subject to the covenants described below, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a “Further Issue”) so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; provided that the issuance of any such Additional Notes shall then be permitted under “Limitation on Indebtedness and Preferred Stock” covenant described below and the other provisions of the Indenture.

Optional redemption

At any time and from time to time on or after January 17, 2021 the Company may redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to (but not including) the redemption date if redeemed during the twelve month period beginning on January 17 of each of the years indicated below.

Period	Redemption Price
2021	102.3750%
2022	101.1875%

At any time prior to January 17, 2021, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The Company will give not less than 30 days' nor more than 60 days' notice of any redemption. Neither the Trustee nor any of the Agents will be responsible for verifying or calculating the Applicable Premium.

At any time and from time to time prior to January 17, 2021, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 104.750% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption. If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption as follows:

- (1) if the Notes are listed on any recognized securities exchange or are held through a clearing system, in compliance with the requirements of the principal recognized securities exchange on which the Notes are listed (if any) or the requirements of the clearing system; or
- (2) if the Notes are not listed on any recognized securities exchange, on a pro rata basis.

A Note of US\$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Repurchase of Notes upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that it will in a timely manner repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit the

repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's and the Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors—Risks relating to the Notes—We may not be able to repurchase the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes or the Notes upon a change of control triggering event."

The definition of Change of Control includes a phrase relating to the sale of "all or substantially all" the assets of the Company. Although there is a limited body of case law interpreting the phrase "substantially all," no precise definition of the phrase has been established. Accordingly, the ability of a Holder of Notes to require the Company to repurchase such Holder's Notes as a result of a sale of less than all the assets of the Company to another person or group is uncertain and will be dependent upon particular facts and circumstances.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event has occurred or may occur, and shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Company. The Trustee shall not be required to take any steps to ascertain whether the condition for the exercise of the rights herein has occurred. The Trustee shall not be responsible for determining or verifying whether a Note is to be accepted for redemption and will not be responsible to the Holders for any loss arising from any failure by it to do so. The Trustee shall not be under any duty to determine, calculate or verify the redemption amount payable hereunder and will not be responsible to the Holders for any loss arising from any failure by it to do so.

No mandatory redemption or sinking fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Additional amounts

All payments of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under the caption “—Consolidation, merger and sale of assets”) or an applicable Subsidiary Guarantor is organized or resident for tax purposes or which is imposing such withholding or deduction because of a connection between the Company, the Surviving Person or the Subsidiary Guarantor and such jurisdiction (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a “Relevant Jurisdiction”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor, as the case may be, will pay such additional amounts (“Additional Amounts”) as will result in receipt by the Holder of each Note or the Subsidiary Guarantees, as the case may be, of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

(a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(i) the existence of any present or former connection between the Holder or beneficial owner of such Note, and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under a 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 Company, a Surviving Person or any Subsidiary Guarantor addressed to the Holder or beneficial owner, as the case may be, to provide information concerning such Holder’s or beneficial owner’s nationality, residence, identity or connection with any Relevant

Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder;

(iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("FATCA"), any current or future Treasury Regulations or rulings promulgated thereunder, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or

(d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or

(2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, 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 Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Redemption for taxation reasons

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders and upon reasonable written notice in advance of such notice to Holders to the Trustee and the Paying Agent (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or

(2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor or Surviving Person becomes a Future Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

(1) an Officers' Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, a Surviving Person or a 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 or amendment referred to in the prior paragraph.

The Trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above without further verification, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be canceled.

Certain covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

(1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), provided that the Company and any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Restricted Subsidiary (other than a Subsidiary Guarantor) may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.75 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary (other than a Subsidiary Guarantor) to Incur any Disqualified Stock or Preferred Stock (other than Disqualified Stock or Preferred Stock of Restricted Subsidiaries held by the Company or a Subsidiary Guarantor, so long as it is so held).

(2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following (“Permitted Indebtedness”):

(a) Indebtedness under the Notes (excluding any Additional Notes and any Permitted *Pari passu* Secured Indebtedness of the Company) and each Subsidiary Guarantee;

(b) any *Pari passu* Subsidiary Guarantees by any Subsidiary Guarantor;

(c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d); provided that such Indebtedness of Restricted Subsidiaries (other than Subsidiary Guarantors) shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (a) and (b) above and clauses (d), (f), (g) and (m) below);

(d) Indebtedness of the Company or Indebtedness or Preferred Stock of any Restricted Subsidiary owed to or held by the Company or any Restricted Subsidiary; provided that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness or Preferred Stock (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this sub-clause (d) and (ii) if the Company or any Subsidiary Guarantor is the obligor and neither the Company nor any Subsidiary Guarantors is an obligee on such Indebtedness, such Indebtedness must be unsecured and be expressly subordinated in right of payment to the Notes, in the case of the Company, or the Subsidiary Guarantee of such Subsidiary Guarantor, in the case of a Subsidiary Guarantor;

(e) Indebtedness (“Permitted Refinancing Indebtedness”) of the Company or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, “refinance” and “refinances” and “refinanced” shall have correlative meanings), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (c), (h), (o), (q), (r), (s), (t), (u), (v), or (x) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); provided that (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement

or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such 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 and (iii) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a 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 of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities;

(g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;

(h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary, including any such purchase through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary; provided that in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (h) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (h) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (p), (q), (r), (s), (t), (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation

claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);

(j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;

(k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; provided that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;

(l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business provided, however, that such Indebtedness is extinguished within five Business Days of Incurrence;

(m) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, subject to the covenant under the caption “—Limitation on issuances of Guarantees by Restricted Subsidiaries”;

(n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; provided that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed US\$50.0 million (or the Dollar Equivalent thereof);

(o) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US\$15.0 million (or the Dollar Equivalent thereof);

(p) Indebtedness of the Company or any Restricted Subsidiary arising from Guarantees of Indebtedness of the Joint Venture or any of its Subsidiaries in an aggregate outstanding amount not to exceed RMB1.70 billion, provided that on the date of Incurrence of the relevant Indebtedness by the Joint Venture or its Subsidiaries and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (p) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (p) to the extent the amount of such

Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h) above or clause (q), (r), (s), (t), (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(q) Indebtedness Incurred or Preferred Stock issued by the Company or any Restricted Subsidiary arising from any Investment made by a Financial Company Investor in a Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness or issuance of Preferred Stock and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (q) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (q) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h) or (p) above or clause (r), (s), (t), (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred any of such clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(r) Bank Deposit Secured Indebtedness Incurred by the Company or any of its Restricted Subsidiaries, provided that on the date of Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (r) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h), (p) or (q) above or clause (s), (t), (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(s) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Minority Interest Staged Acquisition Agreement; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (s) (together with refinancings thereof, but excluding any Contractor Guarantee or

Guarantee Incurred under this clause (s) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h), (p), (q) or (r) above or clause (t), (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(t) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than a Restricted Subsidiary or an individual or natural person) by the Company or such Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (t) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (t) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h), (p), (q), (r) or (s) above or clause (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(u) Acquired Indebtedness of any Person Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (u) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (u) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h), (p), (q), (r), (s) or (t) above or clause (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(v) Indebtedness Incurred by the Company or any Restricted Subsidiary which is secured by Investment Properties or fixed assets, and Guarantees thereof by the Company or any such Restricted Subsidiary; provided that on the date of the

Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (v) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (v) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h), (p), (q), (r), (s), (t) or (u) above or clause (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(w) Unrestricted Subsidiary Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (w) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (w) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to sub-clauses (h), (p), (q), (r), (s), (t), (u) and (v) above (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred such clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets; and

(x) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement, provided that such Person is either a Restricted Subsidiary or would become a Restricted Subsidiary upon completion of the transactions under such Staged Acquisition Agreement.

(3) For purposes of determining compliance with this "Limitation on Indebtedness and Preferred Stock" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first paragraph of part (1), the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness, provided that any Indebtedness Incurred under clause (p) of part (2) of this "Limitation on Indebtedness and Preferred Stock" covenant shall not so be reclassified.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as "Restricted Payments"):

(1) declare or pay any dividend or make any distribution on or with respect to the Company's or any of its Restricted Subsidiaries' Capital Stock (other than dividends or distributions payable or paid in shares of the Company's or any of its Restricted Subsidiaries' Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;

(2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Wholly Owned Restricted Subsidiary;

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any of the Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any Subsidiary Guarantor); or

(4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

(a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption "—Limitation on Indebtedness and Preferred Stock;" or

(c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after September 10, 2009, including, for the avoidance of doubt, any payment described in clauses (1) through (4) above made after September 10, 2009 and prior to the Original Issue Date that would have constituted a "Restricted Payment" under the Indenture had it been in effect at the time of such payment, shall exceed the sum of:

(i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning July 1, 2009 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 September 10, 2009 as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus

(iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to September 10, 2009 of any Indebtedness of the Company or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus

(iv) an amount equal to the sum of:

(A) (1) the net reduction in Investments (that were made after September 10, 2009 and that would have been treated as Restricted Payments herein had the Indenture been in effect at such time) in any Person resulting from (x) dividends, repayments of loans or advances or other transfers of Property, in each case to the Company or any Restricted Subsidiary from such Person, (y) the unconditional release of a Guarantee (to the extent such Guarantee, when given, would have constituted a Restricted Payment herein had the Indenture been in effect at such time) provided by the Company or a Restricted Subsidiary or (z) any Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since September 10, 2009 shall be deemed to have been made pursuant to clause (1) of the definition of "Permitted Investment") but only to the extent such Investments by the Company or any Restricted Subsidiary in such Person would not have been Permitted Investments herein at the time such Investments were made had the Indenture been in effect at such time; or (2) to the extent that an Investment made after September 10, 2009 (that would have been treated as a Restricted Payment herein had the Indenture been in effect at such time) is sold or otherwise liquidated or repaid for cash, the lesser of (x) the cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, plus

(B) the portion (proportionate to the Company's equity interest in such Unrestricted Subsidiary) of the Fair Market Value of the net assets of an Unrestricted Subsidiary at the time such Unrestricted Subsidiary is designated a Restricted Subsidiary under the Indenture;

provided, however, that the foregoing sum shall not exceed, in the case of any Person, the amount of Investments previously made (and that would have been treated as Restricted Payments under the Indenture had the Indenture been in effect at such time) by the Company or any Restricted Subsidiary in such Person, and provided further, that no amount will be included under this clause (iv) to the extent it is already included in Consolidated Net Income as described in clause (i) of this paragraph; plus

(v) US\$25.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

(1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

(2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Restricted Subsidiary (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); provided that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors (or 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) any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a pro rata basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary, at least 50.0% of which is held, directly or indirectly through Restricted Subsidiaries, by the Company;

(6) the repurchase of Capital Stock of the Company by the Company or Power Great Enterprises Limited in connection with the Company's employee incentive or stock option plans up to an aggregate amount of US\$37.5 million;

(7) dividends paid to, or the purchase of Capital Stock of any Restricted Subsidiary held by any Financial Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred under paragraph (2)(q) of the "Limitation on Indebtedness and Preferred Stock" covenant; provided that any interest expenses or dividend distributions made under such Indebtedness or Preferred Stock are treated as a Consolidated Fixed Charge;

(8) the purchase of Capital Stock of a Person, and payments made pursuant to a Staged Acquisition Agreement or a Minority Interest Staged Acquisition Agreement;

(9) the purchase by the Company or a Restricted Subsidiary of Capital Stock of any Restricted Subsidiary that is not Wholly Owned, directly or indirectly, by the Company from an Independent Third Party pursuant to an agreement entered into between or among the Company or any Restricted Subsidiary and such Independent Third Party solely for the purpose of acquiring real property or land use rights, provided that (x) such purchase occurs within 12 months after such Restricted Subsidiary acquires the real property or land use rights it was formed to acquire and (y) the Company delivers to the Trustee a Board Resolution set forth in an Officers' Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock is less than or equal to the Fair Market Value of such Capital Stock; or

(10) any Guarantee by the Company or any Restricted Subsidiary permitted to be Incurred under the covenant described under paragraph (2)(t) of the "Limitation on Indebtedness and Preferred Stock" covenant;

provided that, in the case of clause (2), (3), (4) or (6) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to clause (1) of the preceding paragraph made after September 10, 2009 shall be included in calculating whether the conditions of clause (c) of the first paragraph of this "Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US\$10 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US\$10 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) through (10) above), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required

by this “—Limitation on Restricted Payments” covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

For purposes of determining compliance with this “—Limitation on Restricted Payments” covenant, in the event that an item of Investment meets the criteria of both the first paragraph of this “—Limitation on Restricted Payments” covenant and paragraph (19) of the definition of “Permitted Investment” at any time, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Investment in either or both of them.

Limitation on dividend and other payment restrictions affecting Restricted Subsidiaries

(1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

- (a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
- (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
- (c) make loans or advances to the Company or any other Restricted Subsidiary; or
- (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.

(2) The provisions of clause (1) do not apply to any encumbrances or restrictions:

- (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the Indenture, the Security Documents, or under any Permitted *Pari passu* Secured Indebtedness of the Company or any Subsidiary Guarantor Pledgor or *Pari passu* Subsidiary Guarantee of any Subsidiary Guarantor, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
- (b) existing under or by reason of applicable law, rule, regulation or order;
- (c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture, or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;

(e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the “—Limitation on sales and issuances of Capital Stock in Restricted Subsidiaries,” “—Limitation on Indebtedness and Preferred Stock” and “—Limitation on Asset Sales” covenants;

(f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness or issuance of Preferred Stock of the type described under clause (2)(h), (2)(n), (2)(q), (2)(r), (2)(s), (2)(t), (2)(u), (2)(v) or 2(x) or permitted under clause (2)(o) of the “Limitation on Indebtedness and Preferred Stock” covenant if, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced, provided further that, the Board of Directors is empowered to determine whether the conditions set forth in clauses (i) and (ii) are met, which determination shall be conclusive if evidenced by a Board Resolution;

(g) existing in customary provisions in joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the Notes, or (y) any Subsidiary Guarantor to make required payments under its Subsidiary Guarantee, provided further that, the Board of Directors is empowered to determine whether the conditions set forth in clauses (i) and (ii) are met, which determination shall be conclusive if evidenced by a Board Resolution; or

(h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in

accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

Limitation on sales and issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, pro rata to its shareholders or incorporators;
- (2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "Limitation on Restricted Payments" covenant if made on the date of such issuance or sale and provided that the Company complies with the "—Limitation on Asset Sales" covenant; provided further that, paragraph (19)(f) of the definition of "Permitted Investments" shall not apply if such Investment would otherwise have been permitted under paragraph (19) of such definition; and
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); provided that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "—Limitation on Asset Sales" covenant.

Limitation on issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any Subsidiary Guarantor, unless (1) (a) such Restricted Subsidiary, simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee 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 until the Notes have been paid in full or (2) such Guarantee is permitted by clauses (2)(c), (d) or (2)(r) (in the case of clause (2)(r), with respect to the Guarantee provided by the Company or any Restricted Subsidiary through the pledge of one or more bank accounts or deposits to secure (or the use of any Guarantee or letter of credit or similar instruments to Guarantee) any Bank Deposit Secured Indebtedness), under the caption “—Limitation on Indebtedness and Preferred Stock.”

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes or any Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or (2) is subordinated in right of payment to the Notes or any Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Subsidiary Guarantee.

Limitation on transactions with shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an “Affiliate Transaction”), unless:

(1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company or such Restricted Subsidiary; and

(2) the Company delivers to the Trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers’ Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Company or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular fees and other compensation for their service as board members to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;

- (2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clauses (1), (2) or (3) of the first paragraph of the covenant described above under the caption “—Limitation on Restricted Payments” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the listing rules of the Hong Kong Stock Exchange, which as of the Original Issue Date require a majority shareholder approval of any such scheme;
- (6) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in a Restructuring Group entered into in connection with a proposed Restructuring, including but not limited to transactions entered into for purposes of any reorganization in connection with such proposed Restructuring and the entry into, and the performance thereof, of any underwriting agreement or other transaction documents in connection with such proposed Restructuring; and
- (7) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in a 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 a 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 such proposed Restructuring and in compliance with the rules of The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company’s ordinary shares are then listed for trading.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (including Permitted Investments that are permitted under paragraph (19) of the definition of “Permitted Investments” but otherwise excluding any other Permitted Investments) not prohibited by the “Limitation on Restricted Payments” covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date and (iii) any transaction between or among any of the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or by reason of being a Subsidiary of the Company or between or among the Company or a Restricted Subsidiary on the one hand and a Jointly Controlled Entity, an Associate 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) (A) in the case of a transaction with a Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, none of the minority shareholders or minority partners of or in such Restricted Subsidiary is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such minority

shareholder or minority partner being an officer or director of such Restricted Subsidiary or by reason of such minority shareholder or minority partner being a Subsidiary, Jointly Controlled Entity or Associate of the Company; or (B) in the case of a transaction with a Jointly Controlled Entity, an Associate or an Unrestricted Subsidiary, none of the shareholders or partners (other than the Company or a Restricted Subsidiary) of such Jointly Controlled Entity, Associate or Unrestricted Subsidiary is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such shareholder or partner being a director or officer of such Jointly Controlled Entity, Associate or Unrestricted Subsidiary or by reason of such shareholder or partner being a Subsidiary, Jointly Controlled Entity or Associate of the Company).

Limitation on Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (other than the Collateral), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; provided that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Company or any Restricted Subsidiary could have (a) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described above under “—Limitation on Indebtedness and Preferred Stock” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption “—Limitation on Liens,” in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or any Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under the caption “—Limitation on Asset Sales.”

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

(2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and

(3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; provided that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$30.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and

(b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

(1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or

(2) acquire property or assets (other than current assets that are not land use rights, properties under development or completed property held for sale) of a nature or type or that are used in any business which is the same as or related, ancillary or complementary to any of the businesses of the Company and its Restricted Subsidiaries on the Original Issue Date.

Pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above, the Company invest such Net Cash Proceeds in cash or Temporary Cash Investments.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess proceeds of less than US\$25.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceeds US\$25.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

(1) accumulated Excess Proceeds, multiplied by

(2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount

of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale,

rounded down to the nearest US\$1,000.

The offer price any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest of the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a pro rata basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Use of proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified under the caption "Use of proceeds" in this offering memorandum or, in the case of any Additional Notes, the offering document relating to the sale of such Additional Notes and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; provided that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary provides credit support (other than any Guarantee in compliance with clause (6) below) for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption "—Limitation on Indebtedness and Preferred Stock" or such Lien would violate the covenant described under the caption "—Limitation on Liens;" (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under "—Limitation on Restricted Payments."

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-

designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption “—Limitation on Indebtedness and Preferred Stock;” (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption “—Limitation on Liens;” (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); (5) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor if required under “—The Subsidiary Guarantees”; and (6) if such Restricted Subsidiary is not organized under the laws of the PRC, all Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary shall be pledged if required under “—Security.”

Government approvals and licenses; compliance with law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the businesses of the Company or any of its Restricted Subsidiaries; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company or any Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not Incur, and will not permit any Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company or such Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes or the applicable 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 (A)(i) are rated by two Rating Agencies and have a rating of Investment Grade from both of the Rating Agencies, or (ii) are rated by three Rating Agencies and have a rating of Investment Grade from two out of three of the Rating Agencies, and (B) 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 (in the case of (A)(i) above,

or from two out of three of the Rating Agencies (in the case of (A)(ii) above), the provisions of the Indenture summarized under the following captions will be suspended:

- (1) “—Certain covenants—Limitation on Indebtedness and Preferred Stock;”
- (2) “—Certain covenants—Limitation on Restricted Payments;”
- (3) “—Certain covenants—Limitation on dividend and other payment restrictions affecting Restricted Subsidiaries;”
- (4) “—Certain covenants—Limitation on sales and issuances of Capital Stock in Restricted Subsidiaries;”
- (5) “—Certain covenants—Limitation on issuances of Guarantees by Restricted Subsidiaries;”
- (6) “—Certain covenants—Limitation on Sale and Leaseback Transactions;” and
- (7) “—Certain covenants—Limitation on Asset Sales.”

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under the caption “—Certain covenants—Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under “—Certain covenants—Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of financial statements and reports

(1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with the Hong Kong Stock Exchange or any other recognized exchange on which the Company’s common shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; provided that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee (in the English language) and furnish to the Holders:

- (a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;

(b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and

(c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statements (on a consolidated basis), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

(2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent fiscal semi-annual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation, provided that, the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

Further, the Company and each Subsidiary Guarantor have agreed that, for as long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, during any period in which the Company or such Subsidiary Guarantor is neither subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Company or such Subsidiary Guarantor, as the case may be, shall supply to (i) any Holder or beneficial owner of a Note or (ii) a prospective purchaser of a Note or a beneficial interest therein designated by such Holder or beneficial owner, the information specified in, and meeting the requirements of Rule 144A(d)(4) under the Securities Act upon the request of any Holder or beneficial owner of a Note.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

- (1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(3) default in the performance or breach of the provisions of the covenants described under “—Consolidation, merger and sale of assets,” the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions “—Repurchase of Notes upon a Change of Control Triggering Event” or “—Certain covenants—Limitation on Asset Sales” or the failure by the Company to create, or cause its Restricted Subsidiaries to create, a first priority lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement) in accordance with the covenant described under the caption “—Security;”

(4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;

(5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$20.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;

(6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$20.0 million (or the Dollar Equivalent thereof) (in excess of amounts which the Company’s insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(7) an involuntary case or other proceeding is commenced against the Company or any Significant Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Significant Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(8) the Company or any Significant Restricted Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Significant Restricted Subsidiary or (c) effects any general

assignment for the benefit of creditors (other than, in each case under (b), any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Restricted Subsidiary in the ordinary course of business that shall result in the net assets of such Significant Restricted Subsidiary being transferred to or otherwise vested in the Company or any Restricted Subsidiary on a pro rata basis or on a basis more favorable to the Company);

(9) any Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;

(10) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Security Documents or the Indenture, which adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; or

(11) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any Security Document or, other than in accordance with the Indenture and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Intercreditor/Collateral Agent or the Trustee, as the case may be, ceases to have a first priority security interest in the Collateral (subject to any Permitted Liens and the Intercreditor Agreement).

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Significant Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may waive all past defaults and rescind and annul a declaration of acceleration and its consequences:

(1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and

(2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may but will not be obligated to pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. In addition, if an Event of Default occurs and is continuing, subject to the Intercreditor Agreement, the Trustee shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, direct the Intercreditor/Collateral Agent to, subject to being indemnified and/or secured to its satisfaction, foreclose on the Collateral in accordance with the terms of the Security Documents and take such further action on behalf of the Holders of the Notes with respect to the Collateral as the Intercreditor/Collateral Agent or the Trustee, as the case may be, deems appropriate. See “—Security.”

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, 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 law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders.

No Holder may institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity and/or security satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the 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 direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder of a Note to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company’s and the Subsidiary Guarantors’

performance under the Indenture and that the Company has fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture. See “—Certain covenants—Provision of financial statements and reports.”

The Trustee and the Agents need not do anything to ascertain whether any Event of Default or Default has occurred or is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and, the Trustee or the Agents may assume that no such event has occurred and that the Company is performing all its obligations under the Indenture and the Notes unless the Trustee has received written notice of the occurrence of such event or facts establishing that the Company is not performing all of its obligations under the Indenture and the Notes. The Trustee is entitled to rely on any opinion of counsel or officer’s certificate regarding whether an Event of Default or Default has occurred.

Consolidation, merger and sale of assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries’ properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Company consolidated or merged, or that acquired or leased such property and assets (the “Surviving Person”) shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong, Bermuda or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes, and the Indenture, the Notes and the Security Documents, as the case may be, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant under the caption “—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, unless such Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under the caption “—Consolidation, merger and sale of assets,” shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee 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 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), unless:

(1) such Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Subsidiary Guarantor consolidated or merged, or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis, the Company could incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant under the caption “—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 “—Certain covenants—Limitation on Asset Sales” covenant or any Subsidiary Guarantor whose Subsidiary Guarantee is unconditionally released in accordance with the provisions described under “—The Subsidiary Guarantees—Release of the Subsidiary Guarantees.”

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain

circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor, so long as the Company or such 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, subject to applicable law, 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 offer, the Company may exclude or modify the offer or payment to: (i) holders or beneficial owners of the Notes that are believed by the Company to be U.S. persons as defined in Regulation S of the Securities Act and not institutional “accredited investors” as defined in subparagraphs (a)(1), (2), (3) or (7) of Rule 501 under the Securities Act, and (ii) holders or beneficial owners of the Notes in any other jurisdiction, in either case where the inclusion of such holders or beneficial owners would, without such modification if applicable, require the Company 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 and the Trustee shall not have any responsibility or liability for such determination by the Company.

Defeasance

Defeasance and discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies and to hold monies for payment in trust) if, among other things:

- (1) the Company (a) has deposited with the Trustee, in trust, money and/or U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes

and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of the Indenture;

(2) the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

(3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance, the Subsidiary Guarantees with respect thereto will terminate.

Defeasance of certain covenants

The Indenture further will provide that the provisions of the Indenture with respect 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 such clauses (3), (4), (5)(x) and (7) under the first paragraph and such 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, 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 Company to the Trustee of an Opinion of Counsel of recognized 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 the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company will remain liable for such payments.

Amendments and waiver

Amendments without consent of holders

The Indenture, the Notes, the Subsidiary Guarantees, the Intercreditor Agreement or any Security Document may be amended, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement or any Security Document;
- (2) comply with the provisions described under “—Consolidation, merger and sale of assets;”
- (3) evidence and provide for the acceptance of appointment by a successor Trustee;
- (4) add any Subsidiary Guarantor or any Subsidiary Guarantee or release any Subsidiary Guarantor from any Subsidiary Guarantee as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor or any Collateral as provided or permitted by the terms of the Indenture;
- (7) add additional Collateral to secure the Notes or any Subsidiary Guarantee;
- (8) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;
- (9) effect any changes to the Indenture in a manner necessary to comply with the procedures of the relevant clearing system;
- (10) permit Permitted *Pari passu* Secured Indebtedness (including, without limitation, permitting the Trustee and the Intercreditor/Collateral Agent to enter into any amendments to the Security Documents, the Intercreditor Agreement or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted *Pari passu* Secured Indebtedness, in accordance with the Indenture);
- (11) to conform the text of the Indenture, the Notes or the Subsidiary Guarantees to any provision of this “Description of the Notes;” or

(12) make any other change that does not materially and adversely affect the rights of any Holder.

Amendments with consent of Holders

Amendments of the Indenture, the Notes, the Subsidiary Guarantees, the Intercreditor Agreement or any Security Document may be made by the Company, the Subsidiary Guarantors, the Trustee and the Intercreditor/Collateral Agent with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Company, the Subsidiary Guarantors and the Subsidiary Guarantor Pledgors with any provision of the Indenture, the Notes, the Subsidiary Guarantees, any Security Document or Intercreditor Agreement; provided, however, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

- (1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the currency or time of payment of principal of, or premium, if any, or interest on, any Note;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;
- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;
- (7) release any Subsidiary Guarantor from its Subsidiary Guarantee, except as provided in the Indenture;
- (8) release any Collateral, except as provided in the Indenture, the Intercreditor Agreement and the Security Documents;
- (9) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (10) amend, change or modify any Subsidiary Guarantee in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture;
- (11) amend, change or modify any provision of any Security Document, the Intercreditor Agreement or any provision of the Indenture relating to the Collateral, in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture;
- (12) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a

Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale;

(13) consent to the assignment or transfer by the Company or any Subsidiary Guarantor of any of their rights or obligations under the Indenture or the Subsidiary Guarantees, except as permitted pursuant to the provisions described under "Consolidations, Merger and Sale of Assets, whether through an amendment or waiver of provisions in the covenants, definitions or otherwise, unless such amendment, waiver or modification shall be in effect prior to the occurrence of a Change of Control Triggering Event or the event giving rise to the repurchase of the Notes under"—Certain covenants—Limitation on Asset Sales;"

(14) change the redemption date or the redemption price of the Notes from that stated under the captions"—Optional redemption" or"—Redemption for taxation reasons;"

(15) amend, change or modify the obligation of the Company or any Subsidiary Guarantor to pay Additional Amounts; or

(16) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes or any Subsidiary Guarantee in a manner which adversely affects the Holders.

Unclaimed money

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No personal liability of incorporators, stockholders, officers, directors or employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company or any of the Subsidiary Guarantors in the Indenture, or in any of the Notes or the Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company or any of the Subsidiary Guarantors or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes and the 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 and Citibank N.A., London Branch has been appointed as the paying agent, the registrar and the transfer agent (the "Paying Agent", "Registrar" and "Transfer Agent", respectively) with regard to the Notes. The Trustee will not be liable, except for the performance of such duties as are specifically

set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions with the Company and its Affiliates; provided, however, that if it acquires any conflicting interest that may have a materially prejudicial effect upon the Holders of the Notes, it must eliminate such conflict or resign.

Subject to the Intercreditor Agreement, The Bank of New York Mellon will initially act as Intercreditor/Collateral Agent or Trustee, as the case may be, under the Intercreditor Agreement and the Security Documents in respect of the Security over the Collateral. The Intercreditor/Collateral Agent or the Trustee, as the case may be, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Intercreditor Agreement and the Security Documents as are set forth in the Indenture, the Intercreditor Agreement and the Security Documents. Under certain circumstances, the Intercreditor/Collateral Agent or the Trustee, as the case may be, may have obligations under the Intercreditor Agreement and the Security Documents that are in conflict with the interests of the Holders. The Intercreditor/Collateral Agent or the Trustee, as the case may be, will be under no obligation to exercise any rights or powers conferred under the Indenture, the Intercreditor Agreement or any of the Security Documents for the benefit of the Holders unless such Holders have offered to the Intercreditor/Collateral Agent or the Trustee, as the case may be, indemnity and/or security satisfactory to the Intercreditor/Collateral Agent or the Trustee, as the case may be, against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Intercreditor/Collateral Agent or the Trustee, as the case may be, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Intercreditor/Collateral Agent or the Trustee, as the case may be, in respect of such risks.

The Intercreditor/Collateral Agent or the Trustee, as the case may be, shall not be responsible for the performance by any other person appointed by the Company in relation to the Notes and, unless notified in writing to the contrary, shall assume that the same are being duly performed. The Intercreditor/Collateral Agent or the Trustee, as the case may be, shall not be responsible for the value of the Collateral nor any liability for the validity, sufficiency or enforceability thereof. The Intercreditor/Collateral Agent or the Trustee, as the case may be, shall not be liable to any Holders or any other person for any action taken by the Holders or the Intercreditor/Collateral Agent or the Trustee, as the case may be, in accordance with the instructions of the Holders.

The Trustee is entitled to rely on all instructions, notices, declarations and certifications received pursuant to the Indenture and the Security Documents without investigating or being responsible for the accuracy, authenticity and validity of these instructions, notices, declarations and certifications.

The Trustee will be under no obligation to exercise any rights or powers conferred under the Indenture for the benefit of the Holders unless such Holders have offered to the Trustee indemnity and/or security and/or prefunding satisfactory to it against any loss, liability or expense. In the exercise of its duties, the Trustee shall not be responsible for the verification of

the accuracy or completeness of any certification or legal opinion submitted to it by the Company and is entitled to rely exclusively on, and take action based on the information contained in, the certification or legal opinion. Notwithstanding anything described herein, the Trustee has no duty to monitor the performance or compliance of the Company in the fulfillment of the Company's obligations under the Indenture.

Neither the Trustee, the Registrar, the Paying Agent or the Transfer Agent will be responsible for making calculations or for verifying calculations performed by the Company or any other persons unless otherwise specified in the Indenture. Specifically, neither the Trustee, the Registrar, the Paying Agent or the Transfer Agent would be responsible for the calculation or verification of the Applicable Premium.

The Trustee shall not be deemed or implied to have any duties or obligations under any documents to which it is a party. Furthermore, the Trustee shall not be deemed to have knowledge of any event unless it has been actually notified in writing of such event.

Book-entry; delivery and form

The certificates representing the Notes will be issued in fully registered form without interest coupons (the "Global Notes" and each a "Global Note"). Beginning on the Original Issue Date and ending 40 days after the Original Issue Date (the "Resale Restriction Period"), beneficial interests in a Global Note may be offered, sold or otherwise transferred only: (i) to the Company or any subsidiary thereof, (ii) outside the United States in a transaction complying with the provisions of Rule 904 under the Securities Act, (iii) pursuant to an available exemption from the registration requirements of the Securities Act or (iv) pursuant to an effective registration statement under the Securities Act, in each of cases in accordance with any applicable securities laws of any State of the United States.

On the Original Issue Date, the Global Notes 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 Notes (the "book-entry interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under "—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 Notes for all purposes under the Indenture and "holders" of book-entry interests will not be considered the

owners or “Holders” of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

The Notes are not issuable in bearer form.

Payments on the Global Notes

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and additional amounts) will be made to the paying agent. The paying agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. The Company will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under “—Additional amounts.”

Under the terms of the Indenture, the Company, the Trustee and the Agents will treat the registered holder of the Global Notes (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Trustee, the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- Euroclear, Clearstream or any participant or indirect participant. Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Notes

In the event a Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants’ accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part only.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder only at the direction of one or more participants to whose account the book-entry interests in the Global Certificate 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.

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in immediately available funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration,

clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets.

Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Trustee, the Agents or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

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 Company within 90 days (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “—Events of Default” and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Notes. Upon receipt of such notice from the common depository or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depository for the exchange of interests in the Global Notes for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the Trustee for delivery to Holders. Persons exchanging interests in the Global Notes for individual definitive notes will be required to provide the registrar, through the relevant clearing system, with written instruction and other information required by the Company and the registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interest therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the mails of the relevant

jurisdiction (if intended for the Company or any Subsidiary Guarantor) addressed to the Company or such Subsidiary Guarantor, as the case may be, at Suite 1702, 17/F., Dina House, Ruttonjee Center, 11 Duddell Street, Central, Hong Kong and (if intended for the Trustee) addressed to 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 (or otherwise delivered to such Holders in accordance with the applicable procedures of Euroclear or Clearstream).

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, or if by mail, when so sent or deposited.

Consent to jurisdiction; service of process

The Company and each of the Subsidiary Guarantors will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Law Debenture Corporate Service Inc. for receipt of service of process in any such suit, action or proceeding.

Governing law

Each of the Notes, the Subsidiary Guarantees, the Indenture and the Intercreditor Agreement provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York. The existing Security Documents are governed by the laws of Hong Kong.

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.

"2014 Club Loan" means the HK\$2,925 million and US\$203 million equivalent dual tranche transferable term loan facility.

"2014 Credit Agreement" means the credit agreement for the 2014 Club Loan.

"2014 Facility Agent" means Hang Seng Bank Limited, the facility agent under the 2014 Club Loan.

"2015 Club Loan" means the HK\$1,224 million and US\$643 million equivalent dual tranche transferable term loan facility.

"2015 Facility Agent" means Bank of China (Hong Kong) Limited, the facility agent under the 2015 Club Loan.

"2015 Facility Agreement" means the credit agreement for the 2015 Club Loan.

"2016 Club Loan" means the HK\$3,790.0 million (which may be increased upon accession of lenders) and US\$1,014.1 million (which may be increased upon accession of lenders) equivalent dual tranche transferable term loan facility.

"2016 Facility Agent" means Bank of China (Hong Kong) Limited, the facility agent under the 2016 Club Loan.

"2016 Facility Agreement" means the facility agreement for the 2016 Club Loan.

"2017 Club Loan" means the HK\$2,454 million (which may be increased upon accession of lenders) and US\$935 million (which may be increased upon accession of lenders) dual tranche transferable term loan facility.

"2017 Facility Agent" means China Construction Bank Corporation, Hong Kong Branch, the facility agent under the 2017 Club Loan.

"2017 Facility Agreement" means the facility agreement for the 2017 Club Loan.

"2019 Indenture" means the Indenture dated May 17, 2014 governing the 2019 Notes, as amended and supplemented.

"2019 Notes" means the 7.875% Senior Notes due 2019 issued by the Company from time to time pursuant to the 2019 Indenture.

"2019 Trustee" means the trustee under the 2019 Indenture.

"2019 Private Notes" means the 7.50% Senior Notes due 2019 issued by the Company from time to time pursuant to the 2019 Private Notes Indenture.

"2019 Private Notes Indenture" means the indenture dated June 5, 2014 governing the 2019 Private Notes, as amended and supplemented.

"2019 Private Notes Trustee" means the trustee under the 2019 Private Notes Indenture.

"2020 Indenture" means the indenture dated March 9, 2015 governing the 2020 Notes, as amended and supplemented.

"2020 Notes" means the 7.50% Senior Notes due 2020 issued by the Company from time to time pursuant to the 2020 Indenture.

"2020 Trustee" means the trustee under the 2020 Indenture.

"2021 Indenture" means the indenture dated October 4, 2013 governing the 2021 Notes, as amended and supplemented.

"2021 Notes" means the 7.25% Senior Notes due 2021 issued by the Company from time to time pursuant to the 2021 Indenture.

"2021 Trustee" means the trustee under the 2021 Indenture.

"2022 Indenture" means the indenture dated July 25, 2017 governing the 2022 Notes, as amended and supplemented.

"2022 Notes" means the 4.75% Senior Notes due 2022 issued by the Company from time to time pursuant to the 2022 Indenture.

"2022 Trustee" means the trustee under the 2022 Indenture.

"2023 Indenture" means the indenture dated January 10, 2013 governing the 2023 Notes, as amended and supplemented.

"2023 Notes" means the 7.50% Senior Notes due 2023 issued by the Company from time to time pursuant to the 2023 Indenture.

"2023 Trustee" means the trustee under the 2023 Indenture.

"2026 Indenture" means the indenture dated December 15, 2016 governing the 2026 Notes, as amended and supplemented.

"2026 Notes" means the 5.625% Senior Notes due 2026 issued by the Company from time to time pursuant to the 2026 Indenture.

"2026 Trustee" means the trustee under the 2026 Indenture.

"Acquired Indebtedness" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"Acquisition Fair Value Gain" means any fair value gain, or negative goodwill, arising from the difference in the acquisition consideration and the fair value of net assets in connection with a purchase or acquisition of any property project or a purchase, redemption or acquisition of Capital Stock of any Restricted Subsidiary primarily engaged in the acquisition, development and sale of property projects.

"Adjusted Treasury Rate" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated H.15(519) or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption Treasury Constant Maturities, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after July 25, 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 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 redemption price of such Note on July 25, 2020 (such redemption price being set forth in the table appearing under the caption “—Optional Redemption”), plus all required remaining scheduled interest payments due on such Note through July 25, 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 of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries; or (2) an acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any of its Restricted Subsidiaries.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale or issuance of Capital Stock of a Subsidiary) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person; provided that Asset Sale shall not include:

- (1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;
- (2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the “—Certain covenants—Limitation on Restricted Payments” covenant;
- (3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;
- (5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (6) a transaction covered by the covenant under the caption—Consolidation, merger and sale of assets; and

(7) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“Average Life” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“Bank Deposit Secured Indebtedness” means Indebtedness of the Company or any Restricted Subsidiary that is (i) secured by a pledge of one or more bank accounts or deposits of the Company or a Restricted Subsidiary or (ii) guaranteed by a guarantee or a letter of credit (or similar instruments) from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to effect exchanges of U.S. dollars, Hong Kong dollars or other foreign currencies into Renminbi or vice versa, or to remit Renminbi or any foreign currency into or outside the PRC.

“Board of Directors” means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

“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 collectively the beneficial owners of less than 30% 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 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. Change of Control Triggering Event means the occurrence of both a Change of Control and a Rating Decline.

“Clearstream” means Clearstream Banking S.A.

“Collateral” means all collateral securing, or purported to be securing, directly or indirectly, the Notes or any Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors held by the Company or the initial Subsidiary Guarantor Pledgors.

“Commodity Hedging Agreement” means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to manage exposure to fluctuations in commodity prices.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the

Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

“Comparable Treasury Issue” means the U.S. Treasury security or securities having a maturity comparable to July 25, 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 July 25, 2020.

“Comparable Treasury Price” means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three (or such lesser number as is obtained by the Trustee) Reference Treasury Dealer Quotations for such redemption date.

“Consolidated Assets” means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries’ proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its reasonably best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements).

“Consolidated EBITDA” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense, including, for the avoidance of doubt, capitalized interest included in cost of sales,
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets not included in the calculation of Consolidated EBITDA), including, for the avoidance of doubt, corporate income tax and land appreciation tax, and
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than gains on Investment Properties arising from fair value adjustments made in conformity with GAAP and Acquisition Fair Value Gains),

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; provided that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted Subsidiaries and (2) in the case of any PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

“Consolidated Interest Expense” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person (other than the Company or any Restricted Subsidiary) that is Guaranteed by, or secured by a Lien on any asset of, the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees), in each case only to the extent that such interest has become payable by the Company or any Restricted Subsidiary and (7) any capitalized interest, provided that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

“Consolidated Net Income” means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; provided that the following items shall be excluded in computing Consolidated Net Income (without duplication):

(1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:

(a) subject to the exclusion contained in clause (5) below, the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

(b) the Company’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;

(3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);

(6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and

(7) any net after-tax extraordinary or non-recurring gains (other than Acquisition Fair Value Gains),

provided that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to

Consolidated Net Income; (B) for purposes of the Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income; and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available fiscal quarter, semi-annual or annual consolidated balance sheet (which may be an internal consolidated balance sheet) of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

“Contractor Guarantees” means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real

or personal property or equipment to be used in a business of the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to manage exposure to fluctuations in foreign exchange rates.

“DB Guarantee” means the guarantees entered into by the Subsidiary Guarantors dated May 9, 2017, and in relation to the DB ISDA Agreement.

“DB Hedging Obligations” means the amounts due to Deutsche Bank AG from the Company and the Subsidiary Guarantors under the DB ISDA Agreement and the DB Guarantee.

“DB ISDA Agreement” means the swap transaction entered into by the Company with Deutsche Bank AG pursuant to an ISDA 2002 Master Agreement as modified by the First Amendment Agreement entered into by the Company and Deutsche Bank AG dated May 9, 2017.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days 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 prior to the date that is 183 days 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 date that is 183 days after the Stated Maturity of the Notes; provided that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an asset sale or change of control occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the asset sale or change of control provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the “—Certain covenants—Limitation on Asset Sales” and “—Repurchase of Notes upon a Change of Control Triggering Event” covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the “—Certain covenants—Limitation on Asset Sales” and “—Repurchase of Notes upon a Change of Control Triggering Event” covenants.

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“Entrusted Loans” means borrowings by a Non-Guarantor Restricted Subsidiary from the Company or another Restricted 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 placing 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 placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Company being no less than US\$20.0 million (or the Dollar Equivalent thereof).

“Euroclear” means Euroclear Bank S.A./N.V.

“Exempted Subsidiary” means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation from providing a Subsidiary Guarantee or create any Lien over its Capital Stock to secure any of the secured obligations subject to the Intercreditor Agreement; provided that (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee or Lien over its Capital Stock, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

“Fair Market Value” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution.

“Financial Company Investor” means a bank, financial institution, trust company, fund management company, asset management company, financial management company or insurance company, or an Affiliate thereof, that invests in any Capital Stock of a Restricted Subsidiary.

“Fitch” means Fitch Ratings Inc. 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 quarter periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the Four Quarter Period) to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

(a) pro forma effect shall be given to any Indebtedness or Preferred Stock Incurred, repaid or redeemed during the period (the Reference Period) commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in

effect on the last day of such Four Quarter Period), in each case as if such Indebtedness or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; provided that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness or Preferred Stock;

(b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the four fiscal quarter periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“GAAP” means generally accepted accounting principles in Hong Kong as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

“GS Guarantee” means the guarantee entered into by the Company, the Subsidiary Guarantors and Goldman Sachs International dated June 30, 2016, and in relation to the GS ISDA Agreement.

“GS Hedging Obligations” means the amounts due to Goldman Sachs International from the Company and the Subsidiary Guarantors under the GS ISDA Agreement and the GS Guarantee.

“GS ISDA Agreement” means the swap transaction entered into by the Company with Goldman Sachs International pursuant to an ISDA 2002 Master Agreement as modified by the schedule to

the 2002 Master Agreement entered into by the Company and Goldman Sachs International, each dated June 30, 2016.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The term Guarantee used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

“Holder” means the Person in whose name a Note is registered in the Note register.

“Hong Kong Stock Exchange” means The Stock Exchange of Hong Kong Limited and its successors.

“Incur” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; provided that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms Incurrence, Incurred and Incurring have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;

(7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations; and

(9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligations, pre-sale receipts in advance from customers or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a business of the Company or any of its Restricted Subsidiaries or any Entrusted Loan; provided that such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; provided

(1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,

(2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be Indebtedness so long as such money is held to secure the payment of such interest, and

(3) that the amount of Indebtedness with respect to any Hedging Obligation shall be equal to (a) zero if Incurred pursuant to paragraph 2(f) under the “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant, or (b) the net amount payable if such Hedging Obligation terminated at that time due to default by such Person, if not Incurred under such covenant.

“Intercreditor Agreement” has the meaning set forth under “—Security”.

“Interest Rate Agreement” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to manage exposure to fluctuations in interest rates.

“Investment” means:

(1) any direct or indirect advance, loan or other extension of credit to another Person;

- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the Designation of Restricted and Unrestricted Subsidiaries and Limitation on Restricted Payments covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the Company's proportionate interest in the assets (net of the Company's proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"Investment Grade" means a rating of AAA, AA, A or BBB, as modified by a + or – indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns, 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 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 S&P, Moody's or Fitch or any of them, as the case may be.

"Investment Property" means any property that is owned and held by the Company or any Restricted Subsidiary primarily for rental yields or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

"Joint Venture" means the joint venture company to be established in connection with the Project by the Company (by itself or through its Restricted Subsidiaries) with entities not Affiliated with the Company, in which the Company will hold a minority equity interest in the joint venture company's total outstanding Capital Stock, or any successor thereof.

"Jointly Controlled Entity" means any corporation, association or other business entity of which 20% or more of the voting power of the outstanding Voting Stock is owned, directly or indirectly by the Company or a Restricted Subsidiary and such corporation, association or other business entity is treated as a joint venture in accordance with GAAP, and such Jointly Controlled Entity's Subsidiaries.

"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).

"Minority Interest Staged Acquisition Agreement" means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or

such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Moody’s” means Moody’s Investors Service, Inc. and its 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 bankers) related to such Asset Sale;

(b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;

(c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;

(d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale,

including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and

(2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Non Residential Property Entity” means any Person not primarily engaged, directly or indirectly, in the acquisition, development and sale of residential property in the PRC.

“November 2018 Indenture” means the Indenture dated November 22, 2017 governing the November 2018 Notes, as amended and supplemented.

“November 2018 Notes” means the 3.875% Senior Notes due 2018 issued by the Company from time to time pursuant to the November 2018 Indenture.

“November 2018 Trustee” means the trustee under the November 2018 Indenture.

“Offer to Purchase” means an offer to purchase Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note register stating:

- (1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the Offer to Purchase Payment Date);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled Option of the Holder to Elect Purchase on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000.

On one Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers’ Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee or an authenticating agent shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Company will comply

with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under such Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

“Officer” means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor.

“Officers’ Certificate” means a certificate signed by two Officers; provided, however, with respect to the Officers’ Certificate required to be delivered by any Subsidiary Guarantor under the Indenture, Officers’ Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor at the time such certificate is required to be delivered.

“Opinion of Counsel” means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be counsel to the Company.

“Original Issue Date” means the date on which the Notes are originally issued under the Indenture.

“*Pari passu* Subsidiary Guarantee” means a guarantee by any Subsidiary Guarantor of Indebtedness of the Company or another Subsidiary Guarantor (including Additional Notes);

provided that (1) the Company and such Subsidiary Guarantor were permitted to Incur such Indebtedness under the covenant under the caption “—Certain covenants—Limitation on Indebtedness and Preferred Stock” and (2) such guarantee ranks *pari passu* with any outstanding Subsidiary Guarantee of such Subsidiary Guarantor.

“Payment Default” means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the caption—Repurchase of Notes upon a Change of Control Triggering Event, or an Offer to Purchase in the manner described under the caption—Certain covenants—Limitation on Asset Sales or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

“Permitted Holders” means any or all of the following:

- (1) Mr. Yeung Kwok Keung and Ms. Yang Huiyan, collectively;
- (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Persons specified in clause (1); and

(3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more of the Persons specified in clauses (1) and (2).

“Permitted Investment” means:

(1) any Investment in the Company or a Restricted Subsidiary or a Person which will, upon the making of such Investment, become a Restricted Subsidiary or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary;

(2) Temporary Cash Investments;

(3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;

(4) stock, obligations or securities received in satisfaction of judgments;

(5) an investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

(6) any Investment pursuant to a Hedging Obligation designed 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 under the caption “—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) advances to government authorities or government-affiliated entities in the People’s Republic of China in connection with the financing of primary land development in the ordinary course of business that are recorded as assets on the Company’s balance sheet;

(14) 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;

(15) 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; and

(16) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person), in each case in the ordinary course of business;

(17) Investments (other than Guarantees provided under paragraph (18) below) by the Company or any Restricted Subsidiary in the Joint Venture or any of its Subsidiaries in proportion to the Company's (direct or indirect) interest in the Capital Stock of the Joint Venture not to exceed an aggregate outstanding amount of RMB2.72 billion, which amount or amounts shall be determined at the time the relevant Investments are made, provided that the amount of any Investment not made in cash shall be the carrying or book value of such Investment as shown on the most recently available consolidated balance sheet of the Company (which may be internal consolidated balance sheet) at the time such Investment is made;

(18) any Guarantee by the Company or any Restricted Subsidiary of Indebtedness Incurred by the Joint Venture or any of its Subsidiaries in proportion to the Company's (direct or indirect) interest in the Capital Stock of the Joint Venture, provided that such Guarantee is permitted to be Incurred under paragraph (2)(p) under "—Certain covenants—Limitation on Indebtedness and Preferred Stock;"

(19) any Investment (including without limitation any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the issuance or sale of Capital Stock of a Restricted Subsidiary) by the Company or any Restricted Subsidiary in any Person (other than a Restricted Subsidiary), of which at least 20% of the Capital Stock and the Voting Stock is (or upon the making of such Investment, will be) owned, directly or indirectly, by the Company or any Restricted Subsidiary (such Person, an Associate), provided that:

(a) the aggregate of all Investments made by the Company or any Restricted Subsidiary in a Person (other than a Non-Residential Property Entity of which 50% or more of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by the Company or its Restricted Subsidiaries) under this clause (19) after the Original Issue Date shall not exceed in aggregate an amount equal to 30% of Total Assets. Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (19) after the Original Issue Date resulting from:

(i) 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),

(ii) 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,

(iii) to the extent that an Investment made after the Original Issue Date under this clause (19) is sold or otherwise liquidated or repaid for cash, the lesser of (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

(iv) any such Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person after the Original Issue Date shall be deemed to have been made pursuant to clause (1) of the definition of Permitted Investment), not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person pursuant to this clause (19),

(b) if a shareholder or partner (other than the Company or a Restricted Subsidiary) in such Person in which such Investment was made pursuant to this clause (19) is a Person described in clauses (x) or (y) of the first paragraph of the covenant under the caption—Limitation on Transactions with Shareholders and Affiliates (other than by reason of such shareholder or partner being an officer or director of such Person or by reason of such shareholder or partner being the Company or a Subsidiary, Jointly Controlled Entity or Associate of the Company), such Investment complies with the covenant under the caption—Limitation on Transactions with Shareholders and Affiliates;

(c) no Default has occurred and is continuing or would occur as a result of such Investment;

(d) with respect to an Associate in which the Company or any Restricted Subsidiary has made an Investment under this clause (19), (x) if the Company or such Restricted Subsidiary no longer owns at least 20% of the Capital Stock of such Associate, such Investment less the amount of any Receipt will be deemed not to have been made in accordance with this clause (19) and such Investment must at the time such Associate is no longer treated as an Associate satisfy the other requirements of the covenant described under “—Certain covenants—Limitation on Restricted Payments” (including meeting the requirements of one of the other clauses set forth under this Permitted Investment definition) except for clause (4)(b) of the first paragraph of the covenant described under “—Certain covenants—Limitation on Restricted Payments;” and

(e) in the case of any Investment by the Company or any Restricted Subsidiary in a Person of which less than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by the Company or its Restricted Subsidiaries, at the time of such Investment, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in the paragraph (1) of the covenant

under the caption—Certain covenants—Limitation of Indebtedness and Preferred Stock.

For the avoidance of doubt, the value of each Investment made pursuant to this clause (19) shall be determined at the time such Investment is made.

“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 (f) of the second paragraph of the covenant under the caption “—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 (e) of the second paragraph of the covenant described under the caption entitled “—Certain covenants—Limitation on Indebtedness and Preferred Stock;” provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;

(13) Liens under the Security Documents;

(14) Liens securing any Permitted *Pari passu* Secured Indebtedness that complies with each of the requirements set forth under—Security—Permitted *Pari passu* Secured Indebtedness;

(15) any interest or title of a lessor in the property subject to any operating lease;

(16) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (g) of the second paragraph of the covenant under the caption “—Certain covenants—Limitation on Indebtedness and Preferred Stock;”

(17) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;

(18) Liens (including extensions and renewals thereof) upon real or personal property; provided that (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant under the caption entitled “—Limitation on Indebtedness and Preferred Stock” and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item, provided that such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if such Lien is incurred in the ordinary course of business;

(19) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(20) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use

rights or personal property (including, without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person) in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(21) Liens on current assets securing Indebtedness which is permitted to be Incurred under clause (2)(n) of the covenant described under the caption entitled “—Certain covenants—Limitation on Indebtedness and Preferred Stock;”

(22) Liens on assets securing Indebtedness permitted to be Incurred under clause (2)(o) of the “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant;

(23) Liens on the Capital Stock of a Restricted Subsidiary granted by the Company or any Restricted Subsidiary in favor of any Financial Company Investor in respect of, and to secure, the Indebtedness of the type described under clause (2)(q) of the “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant;

(24) Liens Incurred on deposits or bank accounts made to secure Bank Deposit Secured Indebtedness of the type described under clause (2)(r) of the “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant;

(25) Liens on the Capital Stock of the Person that is to be acquired under the relevant Minority Interest Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(s) of the “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant;

(26) Liens securing Indebtedness Incurred under clause (2)(t) of the “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant;

(27) Liens securing Indebtedness Incurred under clause (2)(u) of the “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant;

(28) Liens on Investment Properties or fixed assets securing Indebtedness of the Company or any Restricted Subsidiary permitted to be Incurred under clause (2)(v) of the “—Certain Covenants—Limitation on Indebtedness and Preferred Stock” covenant;

(29) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(x) of the “—Certain Covenants—Limitation on Indebtedness and Preferred Stock” covenant;

(30) Liens securing or arising from Entrusted Loans; and

(31) 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.

provided that, with respect to the Collateral, Permitted Liens shall only refer to the Liens described in clauses (1), (13) and (14) of this definition.

“Permitted *Pari passu* Secured Indebtedness” has the meaning set forth under—Security—Permitted *Pari passu* Secured Indebtedness.

“Permitted Subsidiary Indebtedness” means Indebtedness (other than Public Indebtedness) of, and all Preferred Stock issued by, the Non-Guarantor Restricted Subsidiaries, taken as a whole; provided that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the sum of the aggregate principal amount outstanding of (x) all such Indebtedness of the Non-Guarantor Restricted Subsidiaries (excluding the amount of any Indebtedness of any Restricted Subsidiary permitted under clauses 2(d), 2(f), 2(g) and 2(m) and Subsidiary Guarantees or *Pari passu* Subsidiary Guarantees permitted under clauses 2(a) and 2(b) of the covenant described under—Certain covenants—Limitation on Indebtedness and Preferred Stock), (y) all Public Indebtedness of any Non-Guarantor Subsidiary that constitutes Acquired Indebtedness and (z) all Public Indebtedness that was Incurred by a Non-Guarantor Subsidiary by reason of such entity being a Subsidiary Guarantor prior to being designated as a New Non-Guarantor Subsidiary does not exceed an amount equal to 15% of Total Assets.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; provided that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“Preferred Stock as applied to the Capital Stock of any Person” means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“Project” means the acquisition, development, improvement, management and operation of the Property and any activity related, ancillary or complementary to the acquisition, development, improvement, management or operation of the Property.

“Property” means the parcel or parcels of land located at Panyu District, Guangzhou City, Guangdong Province, the PRC, and any real or personal property located thereon, including any property or structure erected, constructed, fixed, attached or located thereon, as described in the land grant contract, dated December 22, 2009, between (i) the Guangzhou Land and Property Exchange Center, and (ii) Foshan Shunde Country Garden Property Development Company Limited, Gold Volcano Group Limited, Guangzhou R&F Properties Co., Ltd., Kilowell International Limited and Globe Times Investments Limited, as amended or supplemented.

“Public Indebtedness” means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

“PRC CJV” means any Subsidiary that is a sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People’s Republic of China on sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on October 13, 2000) and the Detailed Rules for the Implementation of the Law of the People’s Republic of China on sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995, as such laws may be amended.

“PRC CJV Partner” means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

“PRC Restricted Subsidiary” means a Restricted Subsidiary organized under the laws of the PRC.

“Qualified Exchange” means either (1) The New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Nasdaq Stock market, Singapore Exchange Securities Trading Limited, the Australian Securities Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Malaysian Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act).

“Qualified IPO” means a listing (or a deemed new listing pursuant to the rules of the relevant stock exchange or governing body) of ordinary shares of a company on a Qualified Exchange; provided that in the case that such listing is on a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act), such listing shall result in a public float of no less than the percentage required by the applicable listing rules.

“Rating Agencies” means (1) S&P, (2) Moody’s, (3) Fitch or (4) if S&P, Moody’s, Fitch or any 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 S&P, Moody’s, Fitch or any of them, as the case may be.

“Rating Category” means (1) with respect to S&P, any of the following categories: BB, B, CCC, CC, C and D (or equivalent successor categories); (2) with respect to Moody’s, any of the following categories: Ba, B, Caa, Ca, C and D (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: BB, B, CCC, CC, C, or D (or equivalent successor categories); and (4) the equivalent of any such category of S&P, 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 (+ and – for S&P; 1, 2 and 3 for Moody’s; + and – for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from BB+ to BB, as well as from B- to B+, will constitute a decrease of one gradation).

“Rating Date” means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under the caption “—Consolidation, merger and sale of assets,” that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

“Rating Decline” means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes, is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any

of the events listed below, or (2) in connection with actions contemplated under the caption “— Consolidation, merger and sale of assets,” the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(A) where the Notes are rated by three Rating Agencies on the Rating Date,

(a) in the event the Notes are rated by all three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three or all three Rating Agencies shall be below Investment Grade;

(b) in the event the Notes are rated by any two, but not all three, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by either of such two Rating Agencies shall be below Investment Grade;

(c) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade or the rating of the Notes by the other two Rating Agencies shall both be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories); or

(d) in the event the Notes are rated below Investment Grade by all three of the Rating Agencies on the Rating Date, the rating of the Notes by any two of the three or all three Rating Agencies shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

(B) where the Notes are rated by two Rating Agencies on the Rating Date,

(a) in the event the Notes are rated by both 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).

(C) where the Notes are rated by one Rating Agency on the Rating Date,

(a) in the event the Notes are rated by such Rating Agency on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(b) in the event the Notes are rated below Investment Grade by such Rating Agency on the Rating Date, the rating of the Notes by such Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

(D) where the Notes are not rated by any Rating Agency on the Rating Date, a Rating Decline is deemed to have occurred.

“Receipt” means, at any time, with respect to an Associate, an amount equal to the net reduction in all Investments made in such Associate under clause (19) of the definition of Permitted Investment since the Original Issue Date resulting from (A) receipt of payments in cash by the Company or any Restricted Subsidiary in respect of all such Investments, including interest on, or repayments of, loans or advances, dividends or other distributions (except, in each case, to the extent any such payments are included in the calculation of Consolidated Net Income), (B) the unconditional release of a Guarantee of any obligation of any Associate provided under such clause (19) after the Original Issue Date by the Company or any Restricted Subsidiary, (C) to the extent that an Investment made after the Original Issue Date under such clause (19) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the reasonable costs of disposition, if any) and (y) the initial amount of such Investment, or (D) such Associate becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Associate since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of the definition of Permitted Investment definition.

“Reference Treasury Dealer” means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m. on the third Business Day preceding such redemption date.

“Replacement Assets” means, on any date, property or assets (other than current assets that are not land use rights, properties under development or completed property held for sale) of a nature or type or that are used in the businesses of the Company or any of its Restricted Subsidiaries.

“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 a Restructuring Group.

“Restructuring Group” means a group of Subsidiaries of the Company for which the Company contemplates a Qualified IPO.

“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.

“Security Documents” means, collectively, the pledge agreements and any other agreements or instruments that may evidence or create any security interest in favor of the Trustee or the Intercreditor/Collateral Agent and/or any Holders in any or all of the Collateral securing, with

respect to the Notes, the obligations of the Company under the Notes and the Indenture and of the Subsidiary Guarantor Pledgors under their respective Subsidiary Guarantees.

“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 the Notes or, in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its 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.

“September 2023 Indenture” means the indenture dated September 28, 2016 governing the September 2023 Notes, as amended and supplemented.

“September 2023 Notes” means the 4.75% Senior Notes due 2023 issued by the Company from time to time pursuant to the September 2023 Indenture.

“September 2023 Trustee” means the trustee under the September 2023 Indenture.

“Significant Restricted Subsidiary” means a Restricted Subsidiary, when consolidated with its Restricted Subsidiaries, that would be a significant subsidiary within the meaning of the definition of significant subsidiary in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Original Issue Date; provided that in each instance in such definition in which the term 10 percent is used, the term 5 percent shall be substituted therefor.

“Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Subordinated Indebtedness” means any Indebtedness of the Company or any Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes or any Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity (1) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person; or (2) of which 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case

which is controlled and consolidated by such Person in accordance with GAAP; provided, however, that with respect to clause (2) the occurrence of any event as a result of which such corporation, association or other business entity ceases to be controlled by such Person under GAAP and to constitute a Subsidiary of such Person shall be deemed to be a designation of such corporation, association or other business entity as an Unrestricted Subsidiary by such Person and be subject to the requirements under the first paragraph of Designation of Restricted and Unrestricted Subsidiaries covenant.

“Subsidiary Guarantee” means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; provided that Subsidiary Guarantor will not include any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes.

“Subsidiary Guarantor Pledgor” means any initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; provided that a Subsidiary Guarantor Pledgor will not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, the People’s Republic of China, Hong Kong and Singapore or any agency of any of the foregoing, in each case maturing within one year;
- (2) time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated A (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of P-1 (or higher) according to Moody’s 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; and

(7) time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with any banks or financial institutions (i) organized under the laws of the PRC, or (ii) made in the ordinary course of business.

"Total Assets" means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); provided that

(1) only with respect to clause (2)(h) of "—Certain covenants—Limitation on Indebtedness and Preferred Stock" covenant and the definition of Permitted Subsidiary Indebtedness, Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder in each case as of such date, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness;

(2) only with respect to clause (2)(u) of "—Certain covenants—Limitation on Indebtedness and Preferred Stock" covenant, with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving pro forma effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Company as a result of such Person becoming a Restricted Subsidiary; and

(3) only with respect to any Person becoming a New Non-Guarantor Restricted Subsidiary, pro forma effect shall at such time be given to the consolidated assets of such New Non-Guarantor Subsidiary (including giving pro forma effect to any other change to the consolidated assets of the Company, in each case as a result of such Person becoming a New Non-Guarantor Restricted Subsidiary).

"Trade Payables" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

"Transaction Date" means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"Unrestricted Subsidiary" means, unless redesignated as a Restricted Subsidiary pursuant to the covenant summarized under the caption "—Certain covenants—Designation of Restricted and

Unrestricted Subsidiaries,” Bright Start Group Limited, Top Favor Holdings Limited, Golden Favor Investments Limited, Pure Smart Enterprises Limited, Country Garden Properties (Malaysia) Sdn Bhd, Vibrant Corridor Sdn Bhd, Mayland Venue Sdn Bhd, Country Garden Real Estate Sdn Bhd, Country Garden Danga Bay Sdn Bhd, Country Garden (S) Pte. Ltd, Great Favor Holdings Limited, Country Garden Australia Pty Ltd, Country Garden Landscape Sdn. Bhd., BGY North Ryde Pty Ltd, Damai Binajaya Sdn. Bhd., Country Garden Waterfront Sdn. Bhd., Country Garden Pacificview Sdn. Bhd., Suntide Holdings Limited, Silver Dawn Holdings Limited, Sky Global International Development Limited, World Target International Development Limited, Gold Treasure International Development Limited, Yield Limited, Dongguan River Bank Garden Property Development Co., Ltd, PT. Country Garden Indonesia, Country Garden (Canada) Corporation, 675654 N.B. Inc., 675656 N.B. Inc., 675657 N.B. Inc., AG Consultant Pty Ltd, Giant Leap Construction Sdn Bhd, Country Garden Commercial Management Sdn. Bhd. (formerly known as Country Garden Seaview Sdn Bhd), CGPV Industrial Building System Sdn. Bhd. (formerly known as Country Garden Waterview Sdn Bhd, Giant Light M&E Engineering Sdn Bhd, Teng Yue Overseas Construction Sdn Bhd, Green Prospect Investments Limited, Excel Group Developments Limited, BGY Australia Holdings Pty Ltd, BGY US Real Estate, LLC, Azure Sea International Limited, Beauty Humble Limited, Great Stride Investments Limited, Harbor Ease Limited, Scenic Reserve Limited, Tin Spring Limited, Top Speed Enterprises Limited, View Glory Enterprises Limited, Ascent Win Limited, Credit Source Limited, Grace Will Holdings Limited, New Prime Investments Limited, Winning Billion Limited, Qianhai Country Garden Huijin Investment Consulting (Shenzhen) Co., Ltd, Qianhai Country Garden Fuxin Investment Consulting (Shenzhen) Co., Ltd, Country Garden St Leonards No.1 Pty Ltd, Country Garden St Leonards No.2 Pty Ltd, Country Garden St Leonards Pty Ltd, Country Garden Forest City Phoenix Hotel Sdn Bhd (formerly known as Country Garden Hotel Management Sdn Bhd), Transcend Commercial Management Sdn Bhd, Genesis Commercial Management Sdn Bhd, Forest City Branding Sdn Bhd, Country Garden Logistics Sdn Bhd, Country Garden Finance Holdings and Great Sino Development Limited and (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.

“Unrestricted Subsidiary Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from any Unrestricted Subsidiary; provided that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“U.S. Government Obligations” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the Company 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.

Description of the January 2025 Notes

For purposes of this “Description of the Notes,” the term “Company” refers only to Country Garden Holdings Company Limited, and any successor obligor on the Notes, and not to any of its subsidiaries. Each subsidiary of the Company which guarantees the Notes is referred to as a “Subsidiary Guarantor,” and each such guarantee is referred to as a “Subsidiary Guarantee.” For the purposes of this section, the term “Notes” refer to the January 2025 Notes.

The Notes are to be issued under an indenture (the “Indenture”), to be dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, and Citicorp International Limited as trustee (the “Trustee”).

The following is a summary of certain material provisions of the Indenture, the Notes, the Subsidiary Guarantees and the Intercreditor Agreement. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees and the Intercreditor Agreement. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available on or after the Original Issue Date at the corporate trust office of the Trustee at Citicorp International Limited, 39/F Champion Tower, Three Garden Road, 3 Garden Road, Central, Hong Kong.

Brief description of the Notes

The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors on a senior basis, subject to the limitations described below under the caption “—The Subsidiary Guarantees” and in “Risk Factors—Risks relating to the Subsidiary Guarantees and the Collateral;”
- effectively subordinated to the other secured obligations of the Company and the Subsidiary Guarantors, to the extent of the value of the assets (other than the Collateral) serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

In addition, on the Original Issue Date, subject to the limitations described in “Risk Factors—Risks relating to the Subsidiary Guarantees and the Collateral,” the Notes will be secured by a pledge of the Collateral as described below under the caption “—Security” and will:

- be entitled to a first priority lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement); and

- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The Notes will mature on January 17, 2025 unless earlier redeemed pursuant to the terms thereof and the Indenture. The Indenture allows additional Notes to be issued from time to time (the "Additional Notes"), subject to certain limitations described under "—Further issues." Unless the context requires otherwise, references to the "Notes" for all purposes of the Indenture and this "Description of the Notes" include any Additional Notes that are actually issued. The Notes will bear interest at the rate per annum set forth on the cover page of this offering memorandum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semiannually in arrears on January 17 and June 17 of each year (each an "Interest Payment Date"), commencing June 17, 2018.

Interest on the Notes, when in the form of Global Notes, will be paid to holders of Notes ("Holders") of record at the close of business on January 16 or June 16 and, when in the form of Certificated Notes, on January 2 or June 2, 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. In any case in which the date of the payment of principal of, premium on, or interest on the Notes is not a Business Day in the relevant place of payment, then payment of principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date. Interest on the Notes will be calculated on the basis of a 360-day year composed of twelve 30-day months.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be the specified office of the Paying Agent, currently located at 1 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 Company, payment of interest may be made by check mailed at the expense of the Company to the address of the Holders as such address appears in the Note register. Interest payable on the Notes held through Euroclear and Clearstream will be available to participants (as defined herein) on the Business Day following payment thereof.

The Subsidiary Guarantees

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will be Smart World Development Holdings Ltd, Angel View International Limited, Boavista Investments Limited, Estonia Development Ltd, Falcon Investments Development Ltd, Impreza Group Limited, Infiniti Holdings Development Limited, United Gain Group Ltd, Wise Fame Group Ltd and Country Garden (Hong Kong) Development Company Limited. These Subsidiary Guarantors consist of all of the Company's Restricted Subsidiaries other than the Non-Guarantor Subsidiaries (defined below). All of the Subsidiary Guarantors are holding companies that do not

have significant operations. None of Power Great Enterprises Limited, Beauty Dawn Investments Limited, Honest Sino Limited, Joygain Global Limited, Ray Source Limited, View Glory Enterprises Limited, Fortune Map Ventures Limited, Able Wide Enterprise Limited, Alpha Vision Global Limited, Chuang's Development (Dong Guan) Limited, On Profit Investment Limited, Apex Epoch Limited, Beauty Honour Enterprises Limited, Silver Chase Investment Limited, Silver Dragon Investment Limited, Great Yield Global Limited, More Rise Enterprises Limited, Grace Jet Investment Limited, August Bliss Limited, Nice Energy Development Limited, Smart Insight International Limited, Country Garden Properties (Hong Kong) Ltd., Spring Blossom Ventures Limited, Joint Victory Holdings Limited, Dazzling Beauty Limited, Gold Ease Global Limited, Beaming Year Holdings Limited and the Unrestricted Subsidiaries and the Restricted Subsidiaries organized under the laws of the PRC (collectively, the "PRC Non-Guarantor Subsidiaries") will be a Subsidiary Guarantor on the Original Issue Date.

As used herein, "Non-Guarantor Restricted Subsidiaries" refers to the Restricted Subsidiaries that are not a Subsidiary Guarantor, including as of the Original Issue Date, the PRC Non-Guarantor Subsidiaries and Power Great Enterprises Limited, Beauty Dawn Investments Limited, Honest Sino Limited, Joygain Global Limited, Ray Source Limited, View Glory Enterprises Limited, Fortune Map Ventures Limited, Able Wide Enterprise Limited, Alpha Vision Global Limited, Chuang's Development (Dong Guan) Limited, On Profit Investment Limited, Apex Epoch Limited, Beauty Honour Enterprises Limited, Silver Chase Investment Limited, Silver Dragon Investment Limited, Great Yield Global Limited, More Rise Enterprises Limited, Grace Jet Investment Limited, August Bliss Limited, Nice Energy Development Limited, Smart Insight International Limited, Country Garden Properties (Hong Kong) Ltd., Joint Victory Holdings Limited, Spring Blossom Ventures Limited, Dazzling Beauty Limited, Gold Ease Global Limited and Beaming Year Holdings Limited. The Non-Guarantor Restricted Subsidiaries together with the Unrestricted Subsidiaries are referred to herein as the "Non-Guarantor Subsidiaries."

None of the existing Non-Guarantor Subsidiaries will at any time in the future provide a Subsidiary Guarantee unless designated as a Subsidiary Guarantor in accordance with the Indenture. Moreover, no future Restricted Subsidiaries organized under the laws of the PRC or any Exempted Subsidiaries (as defined below) will provide a Subsidiary Guarantee at any time in the future. Although the Indenture contains limitations on the amount of additional Indebtedness that Restricted Subsidiaries organized under the laws of the PRC 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.

As of June 30, 2017,

- the Company and its consolidated subsidiaries had total consolidated borrowings (including bank and other borrowings, receipts under securitization arrangements, the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes and corporate bonds) of approximately RMB162,432.1 million (US\$23,960.0 million), including short-term borrowings (including the current portion of long-term bank and other borrowings and receipts under securitization arrangements) of RMB46,801.8 million (US\$6,903.6 million); and

- the Company and its consolidated subsidiaries had contingent liabilities of approximately RMB242,086.5 million (US\$35,709.7 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; and
- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC and Exempted Subsidiaries) as soon as practicable after it becomes a Restricted Subsidiary or, in the case of an Exempted Subsidiary, as soon as practicable after it ceases to be an Exempted 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. Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date is referred to as a “Future Subsidiary Guarantor” and upon execution of the applicable supplemental indenture to the Indenture will be a “Subsidiary Guarantor.” Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary organized outside the PRC not provide a Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary (Restricted Subsidiaries other than those organized under the laws of the PRC that become Restricted Subsidiaries after the Original Issue Date and that do not provide Subsidiary Guarantees in accordance with the Indenture, the “New Non-Guarantor Restricted Subsidiaries”), provided that, after taking into account the consolidated assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries) that are not Subsidiary Guarantors do not account for more than 20% of Total Assets.

So long as the Notes remain outstanding, the Company will, no later than 60 days after the date any semi-annual consolidated financial statements of the Company (which the Company must use its reasonable best efforts to compile on a timely basis) become available (which may be internal consolidated financial statements), calculate and determine whether the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors (other than Exempted Subsidiaries) exceed 20% of Total Assets. If, at such time of determination, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors (other than Exempted Subsidiaries) exceed 20% of Total Assets, the Company must promptly (i) remove the designation of one or more Non-Guarantor Restricted Subsidiaries and cause such Non-Guarantor Restricted Subsidiaries to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiaries will guarantee the payment of the Notes or (ii) designate one or more Non-Guarantor Restricted Subsidiaries as Unrestricted Subsidiaries or (iii) cause one or more Non-Guarantor Restricted Subsidiaries to pay dividends or make distributions on or with respect to their respective Capital Stock pro rata to their respective shareholders or on a basis more favorable to the Company, in

the case of each of (i), (ii) and (iii) above, in accordance with the terms of the Indenture and such that the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors (other than Exempted Subsidiaries) no longer exceed 20% of Total Assets. Such removal of designation as a Non-Guarantor Restricted Subsidiary, designation as an Unrestricted Subsidiary or payment of dividends or distributions must be made promptly and in any event no later than 60 days after the date any semi-annual consolidated financial statements of the Company (which the Company must use its reasonable best efforts to compile on a timely basis) become available (which may be internal consolidated financial statements) which show that the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors (other than Exempted Subsidiaries) exceed 20% of Total Assets.

In the case of a Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with or after the consummation of such sale or issuance of Capital Stock, (a) instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized outside the PRC will become "New Non-Guarantor Restricted Subsidiaries" (such that each New Non-Guarantor Restricted Subsidiary will no longer Guarantee the Notes) and (b) instruct the Collateral Agent to (i) discharge the pledge of the Capital Stock granted by each such New Non-Guarantor Restricted Subsidiary and (ii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in such New Non-Guarantor Restricted Subsidiary, (in each case, without any requirement to seek the consent or approval of the Holders of the Notes), provided that after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries) that are not a Subsidiary Guarantor (including the New Non-Guarantor Restricted Subsidiaries) do not account for more than 20% of Total Assets. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee or (b) requiring the Company or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Company by such Subsidiary Guarantor.

In addition, subject to the limitations described in "Risk Factors—Risks relating to the Subsidiary Guarantees and the Collateral," the Subsidiary Guarantees of each Subsidiary Guarantor Pledgor:

- will be entitled to a first ranking security interest in the Collateral (subject to any Permitted Liens and the Intercreditor Agreement) pledged by such Subsidiary Guarantor Pledgor, as described below under the caption "—Security;" and
- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

Under the Indenture and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The Subsidiary Guarantors will (1) agree that their obligations under the Subsidiary Guarantees

will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees. 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 will be reinstated with respect to such payments as though such payment had not been made. All payments under the Subsidiary Guarantees are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. If a 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, and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee could be reduced to zero.

The obligations of each Subsidiary Guarantor under its respective Subsidiary Guarantee and the enforceability of the Collateral granted in respect of the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors may be limited, or possibly invalid, under applicable laws. See "Risk Factors—Risks relating to the Subsidiary Guarantees and the Collateral—The Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees."

Release of the Subsidiary Guarantees

A Subsidiary Guarantee given by a 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 as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale, disposition or merger of a Subsidiary Guarantor in compliance with the terms of the Indenture (including the covenants under the captions "—Certain covenants—Limitation on sales and issuances of Capital Stock in Restricted Subsidiaries," "—Certain covenants—Limitation on Asset Sales" and "—Consolidation, merger and sale of assets") resulting in such Subsidiary Guarantor no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale or disposition are used for the purposes permitted or required by the Indenture; or
- in the case of a Subsidiary Guarantor that becomes a New Non-Guarantor Restricted Subsidiary, in compliance with the terms of the Indenture.

As of the date of the Indenture, all of the Company's Subsidiaries, except Bright Start Group Limited, Top Favor Holdings Limited, Golden Favor Investments Limited, Pure Smart Enterprises

Limited, Country Garden Properties (Malaysia) Sdn Bhd, Vibrant Corridor Sdn Bhd, Mayland Venue Sdn Bhd, Country Garden Real Estate Sdn Bhd, Country Garden Danga Bay Sdn Bhd, Country Garden (S) Pte. Ltd, Great Favor Holdings Limited, Country Garden Australia Pty Ltd, Country Garden Landscape Sdn. Bhd., BGY North Ryde Pty Ltd, Damai Binajaya Sdn. Bhd., Country Garden Waterfront Sdn. Bhd., Country Garden Pacificview Sdn. Bhd., Suntide Holdings Limited, Silver Dawn Holdings Limited, Sky Global International Development Limited, World Target International Development Limited, Gold Treasure International Development Limited, Yield Limited, Dongguan River Bank Garden Property Development Co., Ltd, PT. Country Garden Indonesia, Country Garden (Canada) Corporation, 675654 N.B. Inc., 675656 N.B. Inc., 675657 N.B. Inc., AG Consultant Pty Ltd, Giant Leap Construction Sdn Bhd, Country Garden Commercial Management Sdn. Bhd. (formerly known as Country Garden Seaview Sdn Bhd), CGPV Industrial Building System Sdn. Bhd. (formerly known as Country Garden Waterview Sdn Bhd, Giant Light M&E Engineering Sdn Bhd, Teng Yue Overseas Construction Sdn Bhd, Green Prospect Investments Limited, Excel Group Developments Limited, BGY Australia Holdings Pty Ltd, BGY US Real Estate, LLC, Azure Sea International Limited, Beauty Humble Limited, Great Stride Investments Limited, Harbor Ease Limited, Scenic Reserve Limited, Tin Spring Limited, Top Speed Enterprises Limited, View Glory Enterprises Limited, Ascent Win Limited, Credit Source Limited, Grace Will Holdings Limited, New Prime Investments Limited, Winning Billion Limited, Qianhai Country Garden Huijin Investment Consulting (Shenzhen Co., Ltd, Qianhai Country Garden Fuxin Investment Consulting (Shenzhen) Co., Ltd, Country Garden St Leonards No.1 Pty Ltd, Country Garden St Leonards No.2 Pty Ltd, Country Garden St Leonards Pty Ltd, Country Garden Forest City Phoenix Hotel Sdn Bhd (formerly known as Country Garden Hotel Management Sdn Bhd), Transcend Commercial Management Sdn Bhd, Genesis Commercial Management Sdn Bhd, Forest City Branding Sdn Bhd, Country Garden Logistics Sdn Bhd, Country Garden Finance Holdings and Great Sino Development Limited will be "Restricted Subsidiaries." However, under the circumstances described below under the caption "—Certain covenants—Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not Guarantee the Notes.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officers' Certificate stating that all requirements under the Indenture relating to such release have been complied with and that such release is authorized and permitted by the Indenture.

Security

The Company has pledged, or caused the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Capital Stock of all of the initial Subsidiary Guarantors (the "Collateral") on a first priority basis to The Bank of New York Mellon as collateral agent (for the benefit of the 2019 Private Notes Trustee, the 2020 Trustee, the 2021 Trustee, the 2023 Trustee, the September 2023 Trustee, the 2026 Trustee, the 2022 Trustee, the November 2018 Notes and each holder of *pari passu* secured indebtedness permitted under, the 2019 Private Notes Indenture, the 2020 Indenture, the 2021 Indenture, the 2023 Indenture, the September 2023 Indenture and the 2026 Indenture) in order to secure the obligations of the Company and the Subsidiary Guarantor Pledgors under the 2019 Private Notes Indenture, the 2020 Indenture, the 2021 Indenture, the 2023 Indenture, the September 2023 Indenture, the 2026 Indenture, the 2022 Indenture and the November 2018 Indenture.

On the Original Issue Date, the Collateral will secure on a *pari passu* basis the obligations of the Company under, (i) the 2019 Private Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2019 Private Notes Indenture, (ii) the 2020 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2020 Indenture, (iii) the 2021 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2021 Indenture, (iv) the 2023 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2023 Indenture, (v) the September 2023 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the September 2023 Indenture, (vi) the 2026 Notes and the subsidiary guarantees provided by the Subsidiary Guarantees Pledgors under the September 2026 Indenture, (vii) the 2022 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2022 Indenture, (viii) the November 2018 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the November 2018 Indenture, (ix) the 2014 Club Loan and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2014 Credit Agreement, (x) the 2015 Club Loan and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2015 Facility Agreement, (xi) the 2016 Club Loan and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2016 Facility Agreement, (xii) the 2017 Club Loan and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2017 Facility Agreement, (xiii) the GS Hedging Obligations, (xiv) the DB Hedging Obligations and (xv) the Notes and the Subsidiary Guarantees provided by the Subsidiary Guarantor Pledgors under the Indenture. See “—Intercreditor Agreement.”

The initial Subsidiary Guarantor Pledgors are Smart World Development Holdings Ltd, Infiniti Holdings Development Limited, Wise Fame Group Ltd., Falcon Investments Development Ltd., and Impreza Group Limited.

None of the Capital Stock of the Non-Guarantor Subsidiaries will be pledged on the Original Issue Date or at any time in the future. In addition, none of the Capital Stock of any future Restricted Subsidiary that may be organized under the laws of the PRC will be pledged at any time in the future.

The Company has also agreed, for the benefit of the holders of the Notes, to pledge, or cause each Subsidiary Guarantor to pledge, the Capital Stock owned directly by the Company or such Subsidiary Guarantor of any Person that becomes a Restricted Subsidiary (other than Persons organized under the laws of the PRC and other Non-Guarantor Subsidiaries) after the Original Issue Date, within 30 days after such Person has become a Restricted Subsidiary or (in the case of an Exempted Subsidiary) has ceased to be an Exempted Subsidiary, to secure (subject to Permitted Liens and the Intercreditor Agreement) the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, in the manner described above.

Each Subsidiary Guarantor that pledges capital stock of a Restricted Subsidiary after the Original Issue Date is referred to as a “Future Subsidiary Guarantor Pledgor” and, upon giving such pledge, will be a “Subsidiary Guarantor Pledgor.”

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Intercreditor Agreement and the Security Documents following an Event of Default, would be sufficient to satisfy amounts due on the Notes, the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors or other Secured Obligations. By its nature, some or all of the

Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

So long as no Payment Default has occurred and is continuing, and subject to the terms of the Security Documents and the Indenture, the Company and the Subsidiary Guarantor Pledgors, as the case may be, will be entitled to exercise any and all voting rights and to receive, retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

Permitted *Pari passu* Secured Indebtedness

On or after the Original Issue Date and subject to the Indenture, the Company and each Subsidiary Guarantor Pledgor may create Liens on the Collateral *pari passu* with the Lien for the benefit of the Holders to secure Indebtedness of the Company (including Additional Notes) or any Subsidiary Guarantor and any *Pari passu* Subsidiary Guarantee of a Subsidiary Guarantor Pledgor with respect to such Indebtedness (such Indebtedness of the Company or any Subsidiary Guarantor and any such *Pari passu* Subsidiary Guarantee, “Permitted *Pari passu* Secured Indebtedness”); provided that (1) the Company or such Subsidiary Guarantor was permitted to incur such Indebtedness under the covenant under the caption “—Certain covenants—Limitation on Indebtedness and Preferred Stock,” (2) the holders of such Indebtedness (other than Additional Notes) (or their representative, trustee or agent) become party to the Intercreditor Agreement referred to below; (3) the agreement in respect of such Indebtedness contains provisions with respect to releases of Collateral and such *Pari passu* Subsidiary Guarantee that are substantially similar to and no more restrictive on the Company and such Subsidiary Guarantor Pledgor than the provisions of the Indenture and the Security Documents; and (4) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee an Opinion of Counsel and Officers’ Certificate with respect to compliance with the conditions stated immediately above and other corporate and collateral matters in connection with the Security Documents, in form and substance as set forth in the Security Documents. The Trustee will be permitted and authorized, without the consent of any Holder, to enter into any amendments to the Security Documents, the Indenture or the Intercreditor Agreement and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted *Pari passu* Secured Indebtedness in accordance with this paragraph (including, without limitation, the appointment of any collateral agent under the Intercreditor Agreement referred to below to hold the Collateral on behalf of the Holders and the holders of Permitted *Pari passu* Secured Indebtedness).

Except for certain Permitted Liens and the Permitted *Pari passu* Secured Indebtedness, the Company and its Restricted Subsidiaries will not be permitted to issue or incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

Intercreditor Agreement

The Company, and The Bank of New York Mellon solely in its capacity as collateral agent and intercreditor agent (in each case referred to herein as the “Intercreditor/Collateral Agent”), among others, are party to an intercreditor agreement dated September 10, 2009. The intercreditor agreement has been amended and supplemented by supplemental intercreditor agreements on

September 23, 2009, April 22, 2010, August 11, 2010, February 23, 2011, January 10, 2013, October 4, 2013, May 27, 2014, June 5, 2014, December 17, 2014, December 18, 2014, March 9, 2015, September 28, 2016, December 15, 2016, March 16, 2017, May 9, 2017, July 25, 2017, November 6, 2017 and November 30, 2017 (the intercreditor agreement as amended and supplemented, the "Existing Intercreditor Agreement") and the following parties have acceded to the intercreditor agreement: the trustee on behalf of the holders of the 11.750% Senior Notes due 2014 (which have been fully redeemed), the trustee on behalf of the holders of the 11.250% Senior Notes due 2017 (which have been fully redeemed), the trustee on behalf of the holders of the 10.500% Senior Notes due 2015 (which have been fully redeemed), the trustee on behalf of the holders of the 11.125% Senior Notes due 2018 Notes (which have been fully redeemed), the 2023 Trustee on behalf of the holders of the 2023 Notes, the 2021 Trustee on behalf of the holders of the 2021 Notes, the 2020 Trustee on behalf of the holders of the 2020 Notes (which have been fully redeemed), the 2019 Trustee on behalf of the holders of the 2019 Notes, the 2019 Private Notes Trustee on behalf of the holders of the 2019 Private Notes, the September 2023 Trustee on behalf of the holders of the September 2023 Notes, the 2026 Trustee on behalf of the holders of the 2026 Notes, the 2022 Trustee on behalf of the holders of the 2022 Notes, the November 2018 Trustee on behalf of the holders of the November 2018 Notes, the 2014 Facility Agent on behalf of the lenders of the 2014 Club Loan, the 2015 Facility Agent on behalf of the lenders of the 2015 Club Loan, the 2016 Facility Agent on behalf of the lenders of the 2016 Club Loan, the 2017 Facility Agent on behalf of the lenders of the 2017 Club Loan, Goldman Sachs International as beneficiary of the GS Hedging Obligations under the ISDA Agreement and the GS Guarantee and Deutsche Bank AG as beneficiary of the DB Hedging Obligations under the DB Agreement and the DB Guarantee. On or prior to the Original Issue Date, the Trustee on behalf of the holders of the Notes will enter into a supplement to the Existing Intercreditor Agreement with the parties to the Existing Intercreditor Agreement to supplement and amend the Existing Intercreditor Agreement (the Existing Intercreditor Agreement as supplemented and amended from time to time pursuant to the terms thereof is herein referred to as the "Intercreditor Agreement").

Under the Intercreditor Agreement, the 2019 Private Notes Trustee on behalf of the holders of the 2019 Private Notes, the 2020 Trustee on behalf of the holders of the 2020 Notes, the 2021 Trustee on behalf of the holders of the 2021 Notes, the 2023 Trustee on behalf of the holders of the 2023 Notes, the September 2023 Trustee on behalf of the holders of the September 2023 Notes, the 2026 Trustee on behalf of the holders of the 2026 Notes, the 2022 Trustee on behalf of the 2022 Notes, the November 2018 Trustee on behalf of the November 2018 Notes, the 2014 Facility Agent on behalf of the lenders of the 2014 Club Loan, the 2015 Facility Agent on behalf of the lenders of the 2015 Club Loan, the 2016 Facility Agent on behalf of the lenders of the 2016 Club Loan, the 2017 Facility Agent on behalf of the lenders of the 2017 Club Loan, Goldman Sachs International as beneficiary of the GS Hedging Obligations under the ISDA Agreement and the GS Guarantee, Deutsche Bank AG as beneficiary of the DB Hedging Obligations under the DB Agreement and the DB Guarantee and the Trustee on behalf of the holders of the Notes (collectively with each holder (or its trustee or representative) of *pari passu* secured indebtedness permitted under the 2019 Private Notes Indenture, the 2020 Indenture, the 2021 Indenture, the 2023 Indenture, the September 2023 Indenture, the 2026 Indenture, the 2022 Indenture, the November 2018 Indenture, the 2014 Club Loan, the 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan, the GS Hedging Obligations and the DB Hedging Obligations who becomes a party to the Intercreditor Agreement pursuant to the terms thereof, the "Secured Parties") will have appointed The Bank of New York Mellon to act as the Intercreditor/Collateral Agent with respect to the Collateral securing the obligations under the 2019 Private Notes Indenture, the 2020 Indenture, the 2021 Indenture, the 2023 Indenture, the

September 2023 Indenture, the 2026 Indenture, the 2022 Indenture, the November 2018 Indenture, the 2014 Club Loan, the 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan, the GS Hedging Obligations, the DB Hedging Obligations and the Indenture (collectively, the "Secured Obligations"), to exercise remedies in respect thereof upon the occurrence of an event of default under the Secured Obligations and to act as specified in the Intercreditor Agreement.

The Intercreditor Agreement will provide, among other things, that (1) the parties thereto shall share equal priority and pro rata entitlement in and to the Collateral, (2) the conditions under which the parties thereto will consent to the release of such Collateral, and (3) the conditions under which the parties thereto will enforce their rights with respect to such Collateral and the Indebtedness secured thereby.

Enforcement of security

The Intercreditor/Collateral Agent has agreed to act as secured party on behalf of the Secured Parties to follow the instructions provided to it under the Intercreditor Agreement and to carry out certain other duties.

The Intercreditor Agreement will provide, among other things, that each of the Secured Parties may direct the Intercreditor/Collateral Agent to initiate enforcement against the Collateral secured for the benefit of such Secured Party after notice to the other Secured Parties. In the event that the Secured Parties have not agreed to initiate enforcement, then, twenty business days after the non-enforcing parties shall have been notified of the intent to initiate enforcement against any of the Collateral, the enforcing party may direct the Intercreditor/Collateral Agent to commence enforcement proceedings in accordance with the terms of the Secured Obligations; provided that all direction with respect to the further timing and manner of such exercise following such commencement shall be given by the Secured Parties.

The Intercreditor Agreement will provide that all payments received and all amounts held by the Intercreditor/Collateral Agent in respect of the Collateral will be applied as follows:

first, to the ratable payment of the expenses of such sale or other realization, including but not limited to compensation to the Intercreditor/Collateral Agent and all expenses, liabilities and advances incurred or made by the secured parties in connection therewith, and any other unreimbursed expenses for which such parties are to be reimbursed pursuant to the secured party documents, and to the ratable payment of any other unreimbursed expenses for which a Secured Party is to be reimbursed pursuant to the secured party documents;

second, to the ratable payment of accrued but unpaid interest on the Secured Obligations;

third, to the ratable payment of unpaid principal of the Secured Obligations;

fourth, to any make-whole premium or any other premium payable pursuant to the secured party documents;

fifth, to the ratable payment of all other Secured Obligations, until all Secured Obligations shall have been paid in full; and

finally, any surplus remaining after such payments to the Company or the Subsidiary Guarantor Pledgors or their successors or assigns, or to whomever may be lawfully entitled thereto.

Release of security

At any time and from time to time, the Intercreditor/Collateral Agent shall release the Collateral with the prior written consent of the Secured Parties and in accordance with the provisions of the Intercreditor Agreement.

Subject to the provisions of the Intercreditor Agreement, the security created in respect of the Collateral granted under the Security Documents may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon defeasance and discharge of the Notes as provided below under the caption “—Defeasance—Defeasance and discharge;”
- upon dispositions of such Collateral in compliance with the covenants under the captions “Certain covenants—Limitation on sales and issuances of Capital Stock in Restricted Subsidiaries” or “—Limitation on Asset Sales” or in accordance with the provision under the caption “—Consolidation, merger and sale of assets;”
- with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor in accordance with the terms of the Indenture;
- with respect to security granted by any Subsidiary Guarantor and security over the Capital Stock of any Subsidiary Guarantor, upon such Subsidiary Guarantor becoming a New Non-Guarantor Restricted Subsidiary;
- with respect to any security over any Capital Stock of any Subsidiary Guarantor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor; and
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor, upon the designation by the Company of such Subsidiary Guarantor as an Unrestricted Subsidiary, and in accordance with the terms of the Indenture.

Further issues

Subject to the covenants described below, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a “Further Issue”) so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; provided that the issuance of any such Additional Notes shall then be permitted under “Limitation on Indebtedness and Preferred Stock” covenant described below and the other provisions of the Indenture.

Optional redemption

At any time and from time to time on or after January 17, 2021 the Company may redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to (but not including) the redemption date if redeemed during the twelve month period beginning on January 17 of each of the years indicated below.

Period	Redemption Price
2022	102.56250%
2023	101.28125%
2024 and thereafter	100.00000%

At any time prior to January 17, 2021, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The Company will give not less than 30 days' nor more than 60 days' notice of any redemption. Neither the Trustee nor any of the Agents will be responsible for verifying or calculating the Applicable Premium.

At any time and from time to time prior to January 17, 2021, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 105.125% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption. If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption as follows:

- (1) if the Notes are listed on any recognized securities exchange or are held through a clearing system, in compliance with the requirements of the principal recognized securities exchange on which the Notes are listed (if any) or the requirements of the clearing system; or
- (2) if the Notes are not listed on any recognized securities exchange, on a pro rata basis.

A Note of US\$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Repurchase of Notes upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that it will in a timely manner repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit the

repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's and the Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors—Risks relating to the Notes—We may not be able to repurchase the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes or the Notes upon a change of control triggering event."

The definition of Change of Control includes a phrase relating to the sale of "all or substantially all" the assets of the Company. Although there is a limited body of case law interpreting the phrase "substantially all," no precise definition of the phrase has been established. Accordingly, the ability of a Holder of Notes to require the Company to repurchase such Holder's Notes as a result of a sale of less than all the assets of the Company to another person or group is uncertain and will be dependent upon particular facts and circumstances.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event has occurred or may occur, and shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Company. The Trustee shall not be required to take any steps to ascertain whether the condition for the exercise of the rights herein has occurred. The Trustee shall not be responsible for determining or verifying whether a Note is to be accepted for redemption and will not be responsible to the Holders for any loss arising from any failure by it to do so. The Trustee shall not be under any duty to determine, calculate or verify the redemption amount payable hereunder and will not be responsible to the Holders for any loss arising from any failure by it to do so.

No mandatory redemption or sinking fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Additional amounts

All payments of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under the caption “—Consolidation, merger and sale of assets”) or an applicable Subsidiary Guarantor is organized or resident for tax purposes or which is imposing such withholding or deduction because of a connection between the Company, the Surviving Person or the Subsidiary Guarantor and such jurisdiction (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a “Relevant Jurisdiction”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor, as the case may be, will pay such additional amounts (“Additional Amounts”) as will result in receipt by the Holder of each Note or the Subsidiary Guarantees, as the case may be, of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

(a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(i) the existence of any present or former connection between the Holder or beneficial owner of such Note, and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under a 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 Company, a Surviving Person or any Subsidiary Guarantor addressed to the Holder or beneficial owner, as the case may be, to provide information concerning such Holder’s or beneficial owner’s nationality, residence, identity or connection with any Relevant

Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder;

(iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("FATCA"), any current or future Treasury Regulations or rulings promulgated thereunder, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or

(d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or

(2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, 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 Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Redemption for taxation reasons

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders and upon reasonable written notice in advance of such notice to Holders to the Trustee and the Paying Agent (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or

(2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor or Surviving Person becomes a Future Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

(1) an Officers' Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, a Surviving Person or a 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 or amendment referred to in the prior paragraph.

The Trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above without further verification, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be canceled.

Certain covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

(1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), provided that the Company and any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Restricted Subsidiary (other than a Subsidiary Guarantor) may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.75 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary (other than a Subsidiary Guarantor) to Incur any Disqualified Stock or Preferred Stock (other than Disqualified Stock or Preferred Stock of Restricted Subsidiaries held by the Company or a Subsidiary Guarantor, so long as it is so held).

(2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following (“Permitted Indebtedness”):

(a) Indebtedness under the Notes (excluding any Additional Notes and any Permitted *Pari passu* Secured Indebtedness of the Company) and each Subsidiary Guarantee;

(b) any *Pari passu* Subsidiary Guarantees by any Subsidiary Guarantor;

(c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d); provided that such Indebtedness of Restricted Subsidiaries (other than Subsidiary Guarantors) shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (a) and (b) above and clauses (d), (f), (g) and (m) below);

(d) Indebtedness of the Company or Indebtedness or Preferred Stock of any Restricted Subsidiary owed to or held by the Company or any Restricted Subsidiary; provided that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness or Preferred Stock (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this sub-clause (d) and (ii) if the Company or any Subsidiary Guarantor is the obligor and neither the Company nor any Subsidiary Guarantors is an obligee on such Indebtedness, such Indebtedness must be unsecured and be expressly subordinated in right of payment to the Notes, in the case of the Company, or the Subsidiary Guarantee of such Subsidiary Guarantor, in the case of a Subsidiary Guarantor;

(e) Indebtedness (“Permitted Refinancing Indebtedness”) of the Company or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, “refinance” and “refinances” and “refinanced” shall have correlative meanings), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (c), (h), (o), (q), (r), (s), (t), (u), (v), or (x) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); provided that (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement

or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such 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 and (iii) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a 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 of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities;

(g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;

(h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary, including any such purchase through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary; provided that in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (h) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (h) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (p), (q), (r), (s), (t), (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation

claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);

(j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;

(k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; provided that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;

(l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business provided, however, that such Indebtedness is extinguished within five Business Days of Incurrence;

(m) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, subject to the covenant under the caption “—Limitation on issuances of Guarantees by Restricted Subsidiaries”;

(n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; provided that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed US\$50.0 million (or the Dollar Equivalent thereof);

(o) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US\$15.0 million (or the Dollar Equivalent thereof);

(p) Indebtedness of the Company or any Restricted Subsidiary arising from Guarantees of Indebtedness of the Joint Venture or any of its Subsidiaries in an aggregate outstanding amount not to exceed RMB1.70 billion, provided that on the date of Incurrence of the relevant Indebtedness by the Joint Venture or its Subsidiaries and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (p) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (p) to the extent the amount of such

Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h) above or clause (q), (r), (s), (t), (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(q) Indebtedness Incurred or Preferred Stock issued by the Company or any Restricted Subsidiary arising from any Investment made by a Financial Company Investor in a Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness or issuance of Preferred Stock and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (q) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (q) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h) or (p) above or clause (r), (s), (t), (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred any of such clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(r) Bank Deposit Secured Indebtedness Incurred by the Company or any of its Restricted Subsidiaries, provided that on the date of Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (r) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h), (p) or (q) above or clause (s), (t), (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(s) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Minority Interest Staged Acquisition Agreement; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (s) (together with refinancings thereof, but excluding any Contractor Guarantee or

Guarantee Incurred under this clause (s) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h), (p), (q) or (r) above or clause (t), (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(t) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than a Restricted Subsidiary or an individual or natural person) by the Company or such Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (t) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (t) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h), (p), (q), (r) or (s) above or clause (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(u) Acquired Indebtedness of any Person Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (u) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (u) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h), (p), (q), (r), (s) or (t) above or clause (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(v) Indebtedness Incurred by the Company or any Restricted Subsidiary which is secured by Investment Properties or fixed assets, and Guarantees thereof by the Company or any such Restricted Subsidiary; provided that on the date of the

Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (v) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (v) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h), (p), (q), (r), (s), (t) or (u) above or clause (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(w) Unrestricted Subsidiary Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (w) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (w) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to sub-clauses (h), (p), (q), (r), (s), (t), (u) and (v) above (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred such clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets; and

(x) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement, provided that such Person is either a Restricted Subsidiary or would become a Restricted Subsidiary upon completion of the transactions under such Staged Acquisition Agreement.

(3) For purposes of determining compliance with this "Limitation on Indebtedness and Preferred Stock" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first paragraph of part (1), the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness, provided that any Indebtedness Incurred under clause (p) of part (2) of this "Limitation on Indebtedness and Preferred Stock" covenant shall not so be reclassified.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as "Restricted Payments"):

(1) declare or pay any dividend or make any distribution on or with respect to the Company's or any of its Restricted Subsidiaries' Capital Stock (other than dividends or distributions payable or paid in shares of the Company's or any of its Restricted Subsidiaries' Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;

(2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Wholly Owned Restricted Subsidiary;

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any of the Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any Subsidiary Guarantor); or

(4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

(a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption "—Limitation on Indebtedness and Preferred Stock;" or

(c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after September 10, 2009, including, for the avoidance of doubt, any payment described in clauses (1) through (4) above made after September 10, 2009 and prior to the Original Issue Date that would have constituted a "Restricted Payment" under the Indenture had it been in effect at the time of such payment, shall exceed the sum of:

(i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning July 1, 2009 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 September 10, 2009 as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus

(iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to September 10, 2009 of any Indebtedness of the Company or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus

(iv) an amount equal to the sum of:

(A) (1) the net reduction in Investments (that were made after September 10, 2009 and that would have been treated as Restricted Payments herein had the Indenture been in effect at such time) in any Person resulting from (x) dividends, repayments of loans or advances or other transfers of Property, in each case to the Company or any Restricted Subsidiary from such Person, (y) the unconditional release of a Guarantee (to the extent such Guarantee, when given, would have constituted a Restricted Payment herein had the Indenture been in effect at such time) provided by the Company or a Restricted Subsidiary or (z) any Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since September 10, 2009 shall be deemed to have been made pursuant to clause (1) of the definition of "Permitted Investment") but only to the extent such Investments by the Company or any Restricted Subsidiary in such Person would not have been Permitted Investments herein at the time such Investments were made had the Indenture been in effect at such time; or (2) to the extent that an Investment made after September 10, 2009 (that would have been treated as a Restricted Payment herein had the Indenture been in effect at such time) is sold or otherwise liquidated or repaid for cash, the lesser of (x) the cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, plus

(B) the portion (proportionate to the Company's equity interest in such Unrestricted Subsidiary) of the Fair Market Value of the net assets of an Unrestricted Subsidiary at the time such Unrestricted Subsidiary is designated a Restricted Subsidiary under the Indenture;

provided, however, that the foregoing sum shall not exceed, in the case of any Person, the amount of Investments previously made (and that would have been treated as Restricted Payments under the Indenture had the Indenture been in effect at such time) by the Company or any Restricted Subsidiary in such Person, and provided further, that no amount will be included under this clause (iv) to the extent it is already included in Consolidated Net Income as described in clause (i) of this paragraph; plus

(v) US\$25.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

(1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

(2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Restricted Subsidiary (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); provided that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors (or 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) any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a pro rata basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary, at least 50.0% of which is held, directly or indirectly through Restricted Subsidiaries, by the Company;

(6) the repurchase of Capital Stock of the Company by the Company or Power Great Enterprises Limited in connection with the Company's employee incentive or stock option plans up to an aggregate amount of US\$37.5 million;

(7) dividends paid to, or the purchase of Capital Stock of any Restricted Subsidiary held by any Financial Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred under paragraph (2)(q) of the "Limitation on Indebtedness and Preferred Stock" covenant; provided that any interest expenses or dividend distributions made under such Indebtedness or Preferred Stock are treated as a Consolidated Fixed Charge;

(8) the purchase of Capital Stock of a Person, and payments made pursuant to a Staged Acquisition Agreement or a Minority Interest Staged Acquisition Agreement;

(9) the purchase by the Company or a Restricted Subsidiary of Capital Stock of any Restricted Subsidiary that is not Wholly Owned, directly or indirectly, by the Company from an Independent Third Party pursuant to an agreement entered into between or among the Company or any Restricted Subsidiary and such Independent Third Party solely for the purpose of acquiring real property or land use rights, provided that (x) such purchase occurs within 12 months after such Restricted Subsidiary acquires the real property or land use rights it was formed to acquire and (y) the Company delivers to the Trustee a Board Resolution set forth in an Officers' Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock is less than or equal to the Fair Market Value of such Capital Stock; or

(10) any Guarantee by the Company or any Restricted Subsidiary permitted to be Incurred under the covenant described under paragraph (2)(t) of the "Limitation on Indebtedness and Preferred Stock" covenant;

provided that, in the case of clause (2), (3), (4) or (6) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to clause (1) of the preceding paragraph made after September 10, 2009 shall be included in calculating whether the conditions of clause (c) of the first paragraph of this "Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US\$10 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US\$10 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) through (10) above), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required

by this “—Limitation on Restricted Payments” covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

For purposes of determining compliance with this “—Limitation on Restricted Payments” covenant, in the event that an item of Investment meets the criteria of both the first paragraph of this “—Limitation on Restricted Payments” covenant and paragraph (19) of the definition of “Permitted Investment” at any time, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Investment in either or both of them.

Limitation on dividend and other payment restrictions affecting Restricted Subsidiaries

(1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

- (a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
- (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
- (c) make loans or advances to the Company or any other Restricted Subsidiary; or
- (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.

(2) The provisions of clause (1) do not apply to any encumbrances or restrictions:

- (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the Indenture, the Security Documents, or under any Permitted *Pari passu* Secured Indebtedness of the Company or any Subsidiary Guarantor Pledgor or *Pari passu* Subsidiary Guarantee of any Subsidiary Guarantor, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
- (b) existing under or by reason of applicable law, rule, regulation or order;
- (c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture, or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;

(e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the “—Limitation on sales and issuances of Capital Stock in Restricted Subsidiaries,” “—Limitation on Indebtedness and Preferred Stock” and “—Limitation on Asset Sales” covenants;

(f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness or issuance of Preferred Stock of the type described under clause (2)(h), (2)(n), (2)(q), (2)(r), (2)(s), (2)(t), (2)(u), (2)(v) or 2(x) or permitted under clause (2)(o) of the “Limitation on Indebtedness and Preferred Stock” covenant if, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced, provided further that, the Board of Directors is empowered to determine whether the conditions set forth in clauses (i) and (ii) are met, which determination shall be conclusive if evidenced by a Board Resolution;

(g) existing in customary provisions in joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the Notes, or (y) any Subsidiary Guarantor to make required payments under its Subsidiary Guarantee, provided further that, the Board of Directors is empowered to determine whether the conditions set forth in clauses (i) and (ii) are met, which determination shall be conclusive if evidenced by a Board Resolution; or

(h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in

accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

Limitation on sales and issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, pro rata to its shareholders or incorporators;
- (2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "Limitation on Restricted Payments" covenant if made on the date of such issuance or sale and provided that the Company complies with the "—Limitation on Asset Sales" covenant; provided further that, paragraph (19)(f) of the definition of "Permitted Investments" shall not apply if such Investment would otherwise have been permitted under paragraph (19) of such definition; and
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); provided that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "—Limitation on Asset Sales" covenant.

Limitation on issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any Subsidiary Guarantor, unless (1) (a) such Restricted Subsidiary, simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee 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 until the Notes have been paid in full or (2) such Guarantee is permitted by clauses (2)(c), (d) or (2)(r) (in the case of clause (2)(r), with respect to the Guarantee provided by the Company or any Restricted Subsidiary through the pledge of one or more bank accounts or deposits to secure (or the use of any Guarantee or letter of credit or similar instruments to Guarantee) any Bank Deposit Secured Indebtedness), under the caption “—Limitation on Indebtedness and Preferred Stock.”

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes or any Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or (2) is subordinated in right of payment to the Notes or any Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Subsidiary Guarantee.

Limitation on transactions with shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an “Affiliate Transaction”), unless:

(1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company or such Restricted Subsidiary; and

(2) the Company delivers to the Trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers’ Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Company or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular fees and other compensation for their service as board members to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;

- (2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clauses (1), (2) or (3) of the first paragraph of the covenant described above under the caption “—Limitation on Restricted Payments” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the listing rules of the Hong Kong Stock Exchange, which as of the Original Issue Date require a majority shareholder approval of any such scheme;
- (6) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in a Restructuring Group entered into in connection with a proposed Restructuring, including but not limited to transactions entered into for purposes of any reorganization in connection with such proposed Restructuring and the entry into, and the performance thereof, of any underwriting agreement or other transaction documents in connection with such proposed Restructuring; and
- (7) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in a 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 a 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 such proposed Restructuring and in compliance with the rules of The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company’s ordinary shares are then listed for trading.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (including Permitted Investments that are permitted under paragraph (19) of the definition of “Permitted Investments” but otherwise excluding any other Permitted Investments) not prohibited by the “Limitation on Restricted Payments” covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date and (iii) any transaction between or among any of the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or by reason of being a Subsidiary of the Company or between or among the Company or a Restricted Subsidiary on the one hand and a Jointly Controlled Entity, an Associate 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) (A) in the case of a transaction with a Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, none of the minority shareholders or minority partners of or in such Restricted Subsidiary is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such minority

shareholder or minority partner being an officer or director of such Restricted Subsidiary or by reason of such minority shareholder or minority partner being a Subsidiary, Jointly Controlled Entity or Associate of the Company; or (B) in the case of a transaction with a Jointly Controlled Entity, an Associate or an Unrestricted Subsidiary, none of the shareholders or partners (other than the Company or a Restricted Subsidiary) of such Jointly Controlled Entity, Associate or Unrestricted Subsidiary is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such shareholder or partner being a director or officer of such Jointly Controlled Entity, Associate or Unrestricted Subsidiary or by reason of such shareholder or partner being a Subsidiary, Jointly Controlled Entity or Associate of the Company).

Limitation on Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (other than the Collateral), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; provided that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Company or any Restricted Subsidiary could have (a) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described above under “—Limitation on Indebtedness and Preferred Stock” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption “—Limitation on Liens,” in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or any Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under the caption “—Limitation on Asset Sales.”

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

(2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and

(3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; provided that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$30.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and

(b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

(1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or

(2) acquire property or assets (other than current assets that are not land use rights, properties under development or completed property held for sale) of a nature or type or that are used in any business which is the same as or related, ancillary or complementary to any of the businesses of the Company and its Restricted Subsidiaries on the Original Issue Date.

Pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above, the Company invest such Net Cash Proceeds in cash or Temporary Cash Investments.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess proceeds of less than US\$25.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceeds US\$25.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

(1) accumulated Excess Proceeds, multiplied by

(2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount

of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale,

rounded down to the nearest US\$1,000.

The offer price any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest of the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a pro rata basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Use of proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified under the caption "Use of proceeds" in this offering memorandum or, in the case of any Additional Notes, the offering document relating to the sale of such Additional Notes and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; provided that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary provides credit support (other than any Guarantee in compliance with clause (6) below) for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption "—Limitation on Indebtedness and Preferred Stock" or such Lien would violate the covenant described under the caption "—Limitation on Liens;" (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under "—Limitation on Restricted Payments."

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-

designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption “—Limitation on Indebtedness and Preferred Stock;” (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption “—Limitation on Liens;” (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); (5) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor if required under “—The Subsidiary Guarantees”; and (6) if such Restricted Subsidiary is not organized under the laws of the PRC, all Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary shall be pledged if required under “—Security.”

Government approvals and licenses; compliance with law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the businesses of the Company or any of its Restricted Subsidiaries; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company or any Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not Incur, and will not permit any Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company or such Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes or the applicable 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 (A)(i) are rated by two Rating Agencies and have a rating of Investment Grade from both of the Rating Agencies, or (ii) are rated by three Rating Agencies and have a rating of Investment Grade from two out of three of the Rating Agencies, and (B) 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 (in the case of (A)(i) above,

or from two out of three of the Rating Agencies (in the case of (A)(ii) above), the provisions of the Indenture summarized under the following captions will be suspended:

- (1) “—Certain covenants—Limitation on Indebtedness and Preferred Stock;”
- (2) “—Certain covenants—Limitation on Restricted Payments;”
- (3) “—Certain covenants—Limitation on dividend and other payment restrictions affecting Restricted Subsidiaries;”
- (4) “—Certain covenants—Limitation on sales and issuances of Capital Stock in Restricted Subsidiaries;”
- (5) “—Certain covenants—Limitation on issuances of Guarantees by Restricted Subsidiaries;”
- (6) “—Certain covenants—Limitation on Sale and Leaseback Transactions;” and
- (7) “—Certain covenants—Limitation on Asset Sales.”

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under the caption “—Certain covenants—Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under “—Certain covenants—Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of financial statements and reports

(1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with the Hong Kong Stock Exchange or any other recognized exchange on which the Company’s common shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; provided that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee (in the English language) and furnish to the Holders:

- (a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;

(b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and

(c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statements (on a consolidated basis), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

(2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent fiscal semi-annual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation, provided that, the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

Further, the Company and each Subsidiary Guarantor have agreed that, for as long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, during any period in which the Company or such Subsidiary Guarantor is neither subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Company or such Subsidiary Guarantor, as the case may be, shall supply to (i) any Holder or beneficial owner of a Note or (ii) a prospective purchaser of a Note or a beneficial interest therein designated by such Holder or beneficial owner, the information specified in, and meeting the requirements of Rule 144A(d)(4) under the Securities Act upon the request of any Holder or beneficial owner of a Note.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

- (1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(3) default in the performance or breach of the provisions of the covenants described under “—Consolidation, merger and sale of assets,” the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions “—Repurchase of Notes upon a Change of Control Triggering Event” or “—Certain covenants—Limitation on Asset Sales” or the failure by the Company to create, or cause its Restricted Subsidiaries to create, a first priority lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement) in accordance with the covenant described under the caption “—Security;”

(4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;

(5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$20.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;

(6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$20.0 million (or the Dollar Equivalent thereof) (in excess of amounts which the Company’s insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(7) an involuntary case or other proceeding is commenced against the Company or any Significant Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Significant Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(8) the Company or any Significant Restricted Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Significant Restricted Subsidiary or (c) effects any general

assignment for the benefit of creditors (other than, in each case under (b), any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Restricted Subsidiary in the ordinary course of business that shall result in the net assets of such Significant Restricted Subsidiary being transferred to or otherwise vested in the Company or any Restricted Subsidiary on a pro rata basis or on a basis more favorable to the Company);

(9) any Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;

(10) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Security Documents or the Indenture, which adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; or

(11) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any Security Document or, other than in accordance with the Indenture and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Intercreditor/Collateral Agent or the Trustee, as the case may be, ceases to have a first priority security interest in the Collateral (subject to any Permitted Liens and the Intercreditor Agreement).

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Significant Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may waive all past defaults and rescind and annul a declaration of acceleration and its consequences:

(1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and

(2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may but will not be obligated to pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. In addition, if an Event of Default occurs and is continuing, subject to the Intercreditor Agreement, the Trustee shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, direct the Intercreditor/Collateral Agent to, subject to being indemnified and/or secured to its satisfaction, foreclose on the Collateral in accordance with the terms of the Security Documents and take such further action on behalf of the Holders of the Notes with respect to the Collateral as the Intercreditor/Collateral Agent or the Trustee, as the case may be, deems appropriate. See “—Security.”

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, 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 law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders.

No Holder may institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity and/or security satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the 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 direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder of a Note to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company’s and the Subsidiary Guarantors’

performance under the Indenture and that the Company has fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture. See “—Certain covenants—Provision of financial statements and reports.”

The Trustee and the Agents need not do anything to ascertain whether any Event of Default or Default has occurred or is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and, the Trustee or the Agents may assume that no such event has occurred and that the Company is performing all its obligations under the Indenture and the Notes unless the Trustee has received written notice of the occurrence of such event or facts establishing that the Company is not performing all of its obligations under the Indenture and the Notes. The Trustee is entitled to rely on any opinion of counsel or officer’s certificate regarding whether an Event of Default or Default has occurred.

Consolidation, merger and sale of assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries’ properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Company consolidated or merged, or that acquired or leased such property and assets (the “Surviving Person”) shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong, Bermuda or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes, and the Indenture, the Notes and the Security Documents, as the case may be, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant under the caption “—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, unless such Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under the caption “—Consolidation, merger and sale of assets,” shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee 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 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), unless:

(1) such Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Subsidiary Guarantor consolidated or merged, or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis, the Company could incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant under the caption “—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 “—Certain covenants—Limitation on Asset Sales” covenant or any Subsidiary Guarantor whose Subsidiary Guarantee is unconditionally released in accordance with the provisions described under “—The Subsidiary Guarantees—Release of the Subsidiary Guarantees.”

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain

circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor, so long as the Company or such 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, subject to applicable law, 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 offer, the Company may exclude or modify the offer or payment to: (i) holders or beneficial owners of the Notes that are believed by the Company to be U.S. persons as defined in Regulation S of the Securities Act and not institutional “accredited investors” as defined in subparagraphs (a)(1), (2), (3) or (7) of Rule 501 under the Securities Act, and (ii) holders or beneficial owners of the Notes in any other jurisdiction, in either case where the inclusion of such holders or beneficial owners would, without such modification if applicable, require the Company 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 and the Trustee shall not have any responsibility or liability for such determination by the Company.

Defeasance

Defeasance and discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies and to hold monies for payment in trust) if, among other things:

- (1) the Company (a) has deposited with the Trustee, in trust, money and/or U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes

and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of the Indenture;

(2) the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

(3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance, the Subsidiary Guarantees with respect thereto will terminate.

Defeasance of certain covenants

The Indenture further will provide that the provisions of the Indenture with respect 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 such clauses (3), (4), (5)(x) and (7) under the first paragraph and such 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, 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 Company to the Trustee of an Opinion of Counsel of recognized 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 the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company will remain liable for such payments.

Amendments and waiver

Amendments without consent of holders

The Indenture, the Notes, the Subsidiary Guarantees, the Intercreditor Agreement or any Security Document may be amended, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement or any Security Document;
- (2) comply with the provisions described under “—Consolidation, merger and sale of assets;”
- (3) evidence and provide for the acceptance of appointment by a successor Trustee;
- (4) add any Subsidiary Guarantor or any Subsidiary Guarantee or release any Subsidiary Guarantor from any Subsidiary Guarantee as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor or any Collateral as provided or permitted by the terms of the Indenture;
- (7) add additional Collateral to secure the Notes or any Subsidiary Guarantee;
- (8) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;
- (9) effect any changes to the Indenture in a manner necessary to comply with the procedures of the relevant clearing system;
- (10) permit Permitted *Pari passu* Secured Indebtedness (including, without limitation, permitting the Trustee and the Intercreditor/Collateral Agent to enter into any amendments to the Security Documents, the Intercreditor Agreement or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted *Pari passu* Secured Indebtedness, in accordance with the Indenture);
- (11) to conform the text of the Indenture, the Notes or the Subsidiary Guarantees to any provision of this “Description of the Notes;” or

(12) make any other change that does not materially and adversely affect the rights of any Holder.

Amendments with consent of Holders

Amendments of the Indenture, the Notes, the Subsidiary Guarantees, the Intercreditor Agreement or any Security Document may be made by the Company, the Subsidiary Guarantors, the Trustee and the Intercreditor/Collateral Agent with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Company, the Subsidiary Guarantors and the Subsidiary Guarantor Pledgors with any provision of the Indenture, the Notes, the Subsidiary Guarantees, any Security Document or Intercreditor Agreement; provided, however, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

- (1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the currency or time of payment of principal of, or premium, if any, or interest on, any Note;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;
- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;
- (7) release any Subsidiary Guarantor from its Subsidiary Guarantee, except as provided in the Indenture;
- (8) release any Collateral, except as provided in the Indenture, the Intercreditor Agreement and the Security Documents;
- (9) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (10) amend, change or modify any Subsidiary Guarantee in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture;
- (11) amend, change or modify any provision of any Security Document, the Intercreditor Agreement or any provision of the Indenture relating to the Collateral, in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture;
- (12) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a

Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale;

(13) consent to the assignment or transfer by the Company or any Subsidiary Guarantor of any of their rights or obligations under the Indenture or the Subsidiary Guarantees, except as permitted pursuant to the provisions described under "Consolidations, Merger and Sale of Assets, whether through an amendment or waiver of provisions in the covenants, definitions or otherwise, unless such amendment, waiver or modification shall be in effect prior to the occurrence of a Change of Control Triggering Event or the event giving rise to the repurchase of the Notes under "—Certain covenants—Limitation on Asset Sales;"

(14) change the redemption date or the redemption price of the Notes from that stated under the captions "—Optional redemption" or "—Redemption for taxation reasons;"

(15) amend, change or modify the obligation of the Company or any Subsidiary Guarantor to pay Additional Amounts; or

(16) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes or any Subsidiary Guarantee in a manner which adversely affects the Holders.

Unclaimed money

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No personal liability of incorporators, stockholders, officers, directors or employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company or any of the Subsidiary Guarantors in the Indenture, or in any of the Notes or the Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company or any of the Subsidiary Guarantors or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes and the 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 and Citibank N.A., London Branch has been appointed as the paying agent, the registrar and the transfer agent (the "Paying Agent", "Registrar" and "Transfer Agent", respectively) with regard to the Notes. The Trustee will not be liable, except for the performance of such duties as are specifically

set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions with the Company and its Affiliates; provided, however, that if it acquires any conflicting interest that may have a materially prejudicial effect upon the Holders of the Notes, it must eliminate such conflict or resign.

Subject to the Intercreditor Agreement, The Bank of New York Mellon will initially act as Intercreditor/Collateral Agent or Trustee, as the case may be, under the Intercreditor Agreement and the Security Documents in respect of the Security over the Collateral. The Intercreditor/Collateral Agent or the Trustee, as the case may be, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Intercreditor Agreement and the Security Documents as are set forth in the Indenture, the Intercreditor Agreement and the Security Documents. Under certain circumstances, the Intercreditor/Collateral Agent or the Trustee, as the case may be, may have obligations under the Intercreditor Agreement and the Security Documents that are in conflict with the interests of the Holders. The Intercreditor/Collateral Agent or the Trustee, as the case may be, will be under no obligation to exercise any rights or powers conferred under the Indenture, the Intercreditor Agreement or any of the Security Documents for the benefit of the Holders unless such Holders have offered to the Intercreditor/Collateral Agent or the Trustee, as the case may be, indemnity and/or security satisfactory to the Intercreditor/Collateral Agent or the Trustee, as the case may be, against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Intercreditor/Collateral Agent or the Trustee, as the case may be, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Intercreditor/Collateral Agent or the Trustee, as the case may be, in respect of such risks.

The Intercreditor/Collateral Agent or the Trustee, as the case may be, shall not be responsible for the performance by any other person appointed by the Company in relation to the Notes and, unless notified in writing to the contrary, shall assume that the same are being duly performed. The Intercreditor/Collateral Agent or the Trustee, as the case may be, shall not be responsible for the value of the Collateral nor any liability for the validity, sufficiency or enforceability thereof. The Intercreditor/Collateral Agent or the Trustee, as the case may be, shall not be liable to any Holders or any other person for any action taken by the Holders or the Intercreditor/Collateral Agent or the Trustee, as the case may be, in accordance with the instructions of the Holders.

The Trustee is entitled to rely on all instructions, notices, declarations and certifications received pursuant to the Indenture and the Security Documents without investigating or being responsible for the accuracy, authenticity and validity of these instructions, notices, declarations and certifications.

The Trustee will be under no obligation to exercise any rights or powers conferred under the Indenture for the benefit of the Holders unless such Holders have offered to the Trustee indemnity and/or security and/or prefunding satisfactory to it against any loss, liability or expense. In the exercise of its duties, the Trustee shall not be responsible for the verification of

the accuracy or completeness of any certification or legal opinion submitted to it by the Company and is entitled to rely exclusively on, and take action based on the information contained in, the certification or legal opinion. Notwithstanding anything described herein, the Trustee has no duty to monitor the performance or compliance of the Company in the fulfillment of the Company's obligations under the Indenture.

Neither the Trustee, the Registrar, the Paying Agent or the Transfer Agent will be responsible for making calculations or for verifying calculations performed by the Company or any other persons unless otherwise specified in the Indenture. Specifically, neither the Trustee, the Registrar, the Paying Agent or the Transfer Agent would be responsible for the calculation or verification of the Applicable Premium.

The Trustee shall not be deemed or implied to have any duties or obligations under any documents to which it is a party. Furthermore, the Trustee shall not be deemed to have knowledge of any event unless it has been actually notified in writing of such event.

Book-entry; delivery and form

The certificates representing the Notes will be issued in fully registered form without interest coupons (the "Global Notes" and each a "Global Note"). Beginning on the Original Issue Date and ending 40 days after the Original Issue Date (the "Resale Restriction Period"), beneficial interests in a Global Note may be offered, sold or otherwise transferred only: (i) to the Company or any subsidiary thereof, (ii) outside the United States in a transaction complying with the provisions of Rule 904 under the Securities Act, (iii) pursuant to an available exemption from the registration requirements of the Securities Act or (iv) pursuant to an effective registration statement under the Securities Act, in each of cases in accordance with any applicable securities laws of any State of the United States.

On the Original Issue Date, the Global Notes 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 Notes (the "book-entry interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under "—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 Notes for all purposes under the Indenture and "holders" of book-entry interests will not be considered the

owners or “Holders” of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

The Notes are not issuable in bearer form.

Payments on the Global Notes

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and additional amounts) will be made to the paying agent. The paying agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. The Company will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under “—Additional amounts.”

Under the terms of the Indenture, the Company, the Trustee and the Agents will treat the registered holder of the Global Notes (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Trustee, the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- Euroclear, Clearstream or any participant or indirect participant. Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Notes

In the event a Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part only.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder only at the direction of one or more participants to whose account the book-entry interests in the Global Certificate 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.

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in immediately available funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration,

clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets.

Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Trustee, the Agents or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

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 Company within 90 days (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “—Events of Default” and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Notes. Upon receipt of such notice from the common depository or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depository for the exchange of interests in the Global Notes for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the Trustee for delivery to Holders. Persons exchanging interests in the Global Notes for individual definitive notes will be required to provide the registrar, through the relevant clearing system, with written instruction and other information required by the Company and the registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interest therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the mails of the relevant

jurisdiction (if intended for the Company or any Subsidiary Guarantor) addressed to the Company or such Subsidiary Guarantor, as the case may be, at Suite 1702, 17/F., Dina House, Ruttonjee Center, 11 Duddell Street, Central, Hong Kong and (if intended for the Trustee) addressed to 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 (or otherwise delivered to such Holders in accordance with the applicable procedures of Euroclear or Clearstream).

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, or if by mail, when so sent or deposited.

Consent to jurisdiction; service of process

The Company and each of the Subsidiary Guarantors will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Law Debenture Corporate Service Inc. for receipt of service of process in any such suit, action or proceeding.

Governing law

Each of the Notes, the Subsidiary Guarantees, the Indenture and the Intercreditor Agreement provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York. The existing Security Documents are governed by the laws of Hong Kong.

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.

"2014 Club Loan" means the HK\$2,925 million and US\$203 million equivalent dual tranche transferable term loan facility.

"2014 Credit Agreement" means the credit agreement for the 2014 Club Loan.

"2014 Facility Agent" means Hang Seng Bank Limited, the facility agent under the 2014 Club Loan.

"2015 Club Loan" means the HK\$1,224 million and US\$643 million equivalent dual tranche transferable term loan facility.

"2015 Facility Agent" means Bank of China (Hong Kong) Limited, the facility agent under the 2015 Club Loan.

"2015 Facility Agreement" means the credit agreement for the 2015 Club Loan.

"2016 Club Loan" means the HK\$3,790.0 million (which may be increased upon accession of lenders) and US\$1,014.1 million (which may be increased upon accession of lenders) equivalent dual tranche transferable term loan facility.

"2016 Facility Agent" means Bank of China (Hong Kong) Limited, the facility agent under the 2016 Club Loan.

"2016 Facility Agreement" means the facility agreement for the 2016 Club Loan.

"2017 Club Loan" means the HK\$2,454 million (which may be increased upon accession of lenders) and US\$935 million (which may be increased upon accession of lenders) dual tranche transferable term loan facility.

"2017 Facility Agent" means China Construction Bank Corporation, Hong Kong Branch, the facility agent under the 2017 Club Loan.

"2017 Facility Agreement" means the facility agreement for the 2017 Club Loan.

"2019 Indenture" means the Indenture dated May 17, 2014 governing the 2019 Notes, as amended and supplemented.

"2019 Notes" means the 7.875% Senior Notes due 2019 issued by the Company from time to time pursuant to the 2019 Indenture.

"2019 Trustee" means the trustee under the 2019 Indenture.

"2019 Private Notes" means the 7.50% Senior Notes due 2019 issued by the Company from time to time pursuant to the 2019 Private Notes Indenture.

"2019 Private Notes Indenture" means the indenture dated June 5, 2014 governing the 2019 Private Notes, as amended and supplemented.

"2019 Private Notes Trustee" means the trustee under the 2019 Private Notes Indenture.

"2020 Indenture" means the indenture dated March 9, 2015 governing the 2020 Notes, as amended and supplemented.

"2020 Notes" means the 7.50% Senior Notes due 2020 issued by the Company from time to time pursuant to the 2020 Indenture.

"2020 Trustee" means the trustee under the 2020 Indenture.

"2021 Indenture" means the indenture dated October 4, 2013 governing the 2021 Notes, as amended and supplemented.

"2021 Notes" means the 7.25% Senior Notes due 2021 issued by the Company from time to time pursuant to the 2021 Indenture.

"2021 Trustee" means the trustee under the 2021 Indenture.

"2022 Indenture" means the indenture dated July 25, 2017 governing the 2022 Notes, as amended and supplemented.

"2022 Notes" means the 4.75% Senior Notes due 2022 issued by the Company from time to time pursuant to the 2022 Indenture.

"2022 Trustee" means the trustee under the 2022 Indenture.

"2023 Indenture" means the indenture dated January 10, 2013 governing the 2023 Notes, as amended and supplemented.

"2023 Notes" means the 7.50% Senior Notes due 2023 issued by the Company from time to time pursuant to the 2023 Indenture.

"2023 Trustee" means the trustee under the 2023 Indenture.

"2026 Indenture" means the indenture dated December 15, 2016 governing the 2026 Notes, as amended and supplemented.

"2026 Notes" means the 5.625% Senior Notes due 2026 issued by the Company from time to time pursuant to the 2026 Indenture.

"2026 Trustee" means the trustee under the 2026 Indenture.

"Acquired Indebtedness" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"Acquisition Fair Value Gain" means any fair value gain, or negative goodwill, arising from the difference in the acquisition consideration and the fair value of net assets in connection with a purchase or acquisition of any property project or a purchase, redemption or acquisition of Capital Stock of any Restricted Subsidiary primarily engaged in the acquisition, development and sale of property projects.

"Adjusted Treasury Rate" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated H.15(519) or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption Treasury Constant Maturities, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after July 25, 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 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 redemption price of such Note on July 25, 2020 (such redemption price being set forth in the table appearing under the caption “—Optional Redemption”), plus all required remaining scheduled interest payments due on such Note through July 25, 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 of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries; or (2) an acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any of its Restricted Subsidiaries.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale or issuance of Capital Stock of a Subsidiary) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person; provided that Asset Sale shall not include:

- (1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;
- (2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the “—Certain covenants—Limitation on Restricted Payments” covenant;
- (3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;
- (5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (6) a transaction covered by the covenant under the caption—Consolidation, merger and sale of assets; and

(7) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“Average Life” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“Bank Deposit Secured Indebtedness” means Indebtedness of the Company or any Restricted Subsidiary that is (i) secured by a pledge of one or more bank accounts or deposits of the Company or a Restricted Subsidiary or (ii) guaranteed by a guarantee or a letter of credit (or similar instruments) from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to effect exchanges of U.S. dollars, Hong Kong dollars or other foreign currencies into Renminbi or vice versa, or to remit Renminbi or any foreign currency into or outside the PRC.

“Board of Directors” means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

“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 collectively the beneficial owners of less than 30% 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 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. Change of Control Triggering Event means the occurrence of both a Change of Control and a Rating Decline.

“Clearstream” means Clearstream Banking S.A.

“Collateral” means all collateral securing, or purported to be securing, directly or indirectly, the Notes or any Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors held by the Company or the initial Subsidiary Guarantor Pledgors.

“Commodity Hedging Agreement” means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to manage exposure to fluctuations in commodity prices.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the

Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

“Comparable Treasury Issue” means the U.S. Treasury security or securities having a maturity comparable to July 25, 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 July 25, 2020.

“Comparable Treasury Price” means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three (or such lesser number as is obtained by the Trustee) Reference Treasury Dealer Quotations for such redemption date.

“Consolidated Assets” means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries’ proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its reasonably best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements).

“Consolidated EBITDA” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense, including, for the avoidance of doubt, capitalized interest included in cost of sales,
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets not included in the calculation of Consolidated EBITDA), including, for the avoidance of doubt, corporate income tax and land appreciation tax, and
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than gains on Investment Properties arising from fair value adjustments made in conformity with GAAP and Acquisition Fair Value Gains),

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; provided that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted Subsidiaries and (2) in the case of any PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

“Consolidated Interest Expense” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person (other than the Company or any Restricted Subsidiary) that is Guaranteed by, or secured by a Lien on any asset of, the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees), in each case only to the extent that such interest has become payable by the Company or any Restricted Subsidiary and (7) any capitalized interest, provided that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

“Consolidated Net Income” means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; provided that the following items shall be excluded in computing Consolidated Net Income (without duplication):

(1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:

(a) subject to the exclusion contained in clause (5) below, the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

(b) the Company’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;

(3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);

(6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and

(7) any net after-tax extraordinary or non-recurring gains (other than Acquisition Fair Value Gains),

provided that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to

Consolidated Net Income; (B) for purposes of the Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income; and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available fiscal quarter, semi-annual or annual consolidated balance sheet (which may be an internal consolidated balance sheet) of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

“Contractor Guarantees” means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real

or personal property or equipment to be used in a business of the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to manage exposure to fluctuations in foreign exchange rates.

“DB Guarantee” means the guarantees entered into by the Subsidiary Guarantors dated May 9, 2017, and in relation to the DB ISDA Agreement.

“DB Hedging Obligations” means the amounts due to Deutsche Bank AG from the Company and the Subsidiary Guarantors under the DB ISDA Agreement and the DB Guarantee.

“DB ISDA Agreement” means the swap transaction entered into by the Company with Deutsche Bank AG pursuant to an ISDA 2002 Master Agreement as modified by the First Amendment Agreement entered into by the Company and Deutsche Bank AG dated May 9, 2017.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days 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 prior to the date that is 183 days 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 date that is 183 days after the Stated Maturity of the Notes; provided that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an asset sale or change of control occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the asset sale or change of control provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the “—Certain covenants—Limitation on Asset Sales” and “—Repurchase of Notes upon a Change of Control Triggering Event” covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the “—Certain covenants—Limitation on Asset Sales” and “—Repurchase of Notes upon a Change of Control Triggering Event” covenants.

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“Entrusted Loans” means borrowings by a Non-Guarantor Restricted Subsidiary from the Company or another Restricted 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 placing 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 placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Company being no less than US\$20.0 million (or the Dollar Equivalent thereof).

“Euroclear” means Euroclear Bank S.A./N.V.

“Exempted Subsidiary” means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation from providing a Subsidiary Guarantee or create any Lien over its Capital Stock to secure any of the secured obligations subject to the Intercreditor Agreement; provided that (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee or Lien over its Capital Stock, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

“Fair Market Value” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution.

“Financial Company Investor” means a bank, financial institution, trust company, fund management company, asset management company, financial management company or insurance company, or an Affiliate thereof, that invests in any Capital Stock of a Restricted Subsidiary.

“Fitch” means Fitch Ratings Inc. 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 quarter periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the Four Quarter Period) to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

(a) pro forma effect shall be given to any Indebtedness or Preferred Stock Incurred, repaid or redeemed during the period (the Reference Period) commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in

effect on the last day of such Four Quarter Period), in each case as if such Indebtedness or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; provided that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness or Preferred Stock;

(b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the four fiscal quarter periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“GAAP” means generally accepted accounting principles in Hong Kong as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

“GS Guarantee” means the guarantee entered into by the Company, the Subsidiary Guarantors and Goldman Sachs International dated June 30, 2016, and in relation to the GS ISDA Agreement.

“GS Hedging Obligations” means the amounts due to Goldman Sachs International from the Company and the Subsidiary Guarantors under the GS ISDA Agreement and the GS Guarantee.

“GS ISDA Agreement” means the swap transaction entered into by the Company with Goldman Sachs International pursuant to an ISDA 2002 Master Agreement as modified by the schedule to

the 2002 Master Agreement entered into by the Company and Goldman Sachs International, each dated June 30, 2016.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The term Guarantee used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

“Holder” means the Person in whose name a Note is registered in the Note register.

“Hong Kong Stock Exchange” means The Stock Exchange of Hong Kong Limited and its successors.

“Incur” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; provided that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms Incurrence, Incurred and Incurring have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;

(7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations; and

(9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligations, pre-sale receipts in advance from customers or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a business of the Company or any of its Restricted Subsidiaries or any Entrusted Loan; provided that such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; provided

(1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,

(2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be Indebtedness so long as such money is held to secure the payment of such interest, and

(3) that the amount of Indebtedness with respect to any Hedging Obligation shall be equal to (a) zero if Incurred pursuant to paragraph 2(f) under the “—Certain covenants— Limitation on Indebtedness and Preferred Stock” covenant, or (b) the net amount payable if such Hedging Obligation terminated at that time due to default by such Person, if not Incurred under such covenant.

“Intercreditor Agreement” has the meaning set forth under “—Security”.

“Interest Rate Agreement” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to manage exposure to fluctuations in interest rates.

“Investment” means:

(1) any direct or indirect advance, loan or other extension of credit to another Person;

- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the Designation of Restricted and Unrestricted Subsidiaries and Limitation on Restricted Payments covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the Company's proportionate interest in the assets (net of the Company's proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"Investment Grade" means a rating of AAA, AA, A or BBB, as modified by a + or – indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns, 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 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 S&P, Moody's or Fitch or any of them, as the case may be.

"Investment Property" means any property that is owned and held by the Company or any Restricted Subsidiary primarily for rental yields or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

"Joint Venture" means the joint venture company to be established in connection with the Project by the Company (by itself or through its Restricted Subsidiaries) with entities not Affiliated with the Company, in which the Company will hold a minority equity interest in the joint venture company's total outstanding Capital Stock, or any successor thereof.

"Jointly Controlled Entity" means any corporation, association or other business entity of which 20% or more of the voting power of the outstanding Voting Stock is owned, directly or indirectly by the Company or a Restricted Subsidiary and such corporation, association or other business entity is treated as a joint venture in accordance with GAAP, and such Jointly Controlled Entity's Subsidiaries.

"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).

"Minority Interest Staged Acquisition Agreement" means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or

such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Moody’s” means Moody’s Investors Service, Inc. and its 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 bankers) related to such Asset Sale;

(b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;

(c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;

(d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale,

including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and

(2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Non Residential Property Entity” means any Person not primarily engaged, directly or indirectly, in the acquisition, development and sale of residential property in the PRC.

“November 2018 Indenture” means the Indenture dated November 22, 2017 governing the November 2018 Notes, as amended and supplemented.

“November 2018 Notes” means the 3.875% Senior Notes due 2018 issued by the Company from time to time pursuant to the November 2018 Indenture.

“November 2018 Trustee” means the trustee under the November 2018 Indenture.

“Offer to Purchase” means an offer to purchase Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note register stating:

- (1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the Offer to Purchase Payment Date);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled Option of the Holder to Elect Purchase on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000.

On one Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers’ Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee or an authenticating agent shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Company will comply

with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under such Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

“Officer” means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor.

“Officers’ Certificate” means a certificate signed by two Officers; provided, however, with respect to the Officers’ Certificate required to be delivered by any Subsidiary Guarantor under the Indenture, Officers’ Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor at the time such certificate is required to be delivered.

“Opinion of Counsel” means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be counsel to the Company.

“Original Issue Date” means the date on which the Notes are originally issued under the Indenture.

“*Pari passu* Subsidiary Guarantee” means a guarantee by any Subsidiary Guarantor of Indebtedness of the Company or another Subsidiary Guarantor (including Additional Notes);

provided that (1) the Company and such Subsidiary Guarantor were permitted to Incur such Indebtedness under the covenant under the caption “—Certain covenants—Limitation on Indebtedness and Preferred Stock” and (2) such guarantee ranks *pari passu* with any outstanding Subsidiary Guarantee of such Subsidiary Guarantor.

“Payment Default” means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the caption—Repurchase of Notes upon a Change of Control Triggering Event, or an Offer to Purchase in the manner described under the caption—Certain covenants—Limitation on Asset Sales or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

“Permitted Holders” means any or all of the following:

- (1) Mr. Yeung Kwok Keung and Ms. Yang Huiyan, collectively;
- (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Persons specified in clause (1); and

(3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more of the Persons specified in clauses (1) and (2).

“Permitted Investment” means:

(1) any Investment in the Company or a Restricted Subsidiary or a Person which will, upon the making of such Investment, become a Restricted Subsidiary or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary;

(2) Temporary Cash Investments;

(3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;

(4) stock, obligations or securities received in satisfaction of judgments;

(5) an investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

(6) any Investment pursuant to a Hedging Obligation designed 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 under the caption “—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) advances to government authorities or government-affiliated entities in the People’s Republic of China in connection with the financing of primary land development in the ordinary course of business that are recorded as assets on the Company’s balance sheet;

(14) 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;

(15) 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; and

(16) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person), in each case in the ordinary course of business;

(17) Investments (other than Guarantees provided under paragraph (18) below) by the Company or any Restricted Subsidiary in the Joint Venture or any of its Subsidiaries in proportion to the Company's (direct or indirect) interest in the Capital Stock of the Joint Venture not to exceed an aggregate outstanding amount of RMB2.72 billion, which amount or amounts shall be determined at the time the relevant Investments are made, provided that the amount of any Investment not made in cash shall be the carrying or book value of such Investment as shown on the most recently available consolidated balance sheet of the Company (which may be internal consolidated balance sheet) at the time such Investment is made;

(18) any Guarantee by the Company or any Restricted Subsidiary of Indebtedness Incurred by the Joint Venture or any of its Subsidiaries in proportion to the Company's (direct or indirect) interest in the Capital Stock of the Joint Venture, provided that such Guarantee is permitted to be Incurred under paragraph (2)(p) under "—Certain covenants— Limitation on Indebtedness and Preferred Stock;"

(19) any Investment (including without limitation any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the issuance or sale of Capital Stock of a Restricted Subsidiary) by the Company or any Restricted Subsidiary in any Person (other than a Restricted Subsidiary), of which at least 20% of the Capital Stock and the Voting Stock is (or upon the making of such Investment, will be) owned, directly or indirectly, by the Company or any Restricted Subsidiary (such Person, an Associate), provided that:

(a) the aggregate of all Investments made by the Company or any Restricted Subsidiary in a Person (other than a Non-Residential Property Entity of which 50% or more of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by the Company or its Restricted Subsidiaries) under this clause (19) after the Original Issue Date shall not exceed in aggregate an amount equal to 30% of Total Assets. Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (19) after the Original Issue Date resulting from:

(i) 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),

(ii) 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,

(iii) to the extent that an Investment made after the Original Issue Date under this clause (19) is sold or otherwise liquidated or repaid for cash, the lesser of (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

(iv) any such Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person after the Original Issue Date shall be deemed to have been made pursuant to clause (1) of the definition of Permitted Investment), not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person pursuant to this clause (19),

(b) if a shareholder or partner (other than the Company or a Restricted Subsidiary) in such Person in which such Investment was made pursuant to this clause (19) is a Person described in clauses (x) or (y) of the first paragraph of the covenant under the caption—Limitation on Transactions with Shareholders and Affiliates (other than by reason of such shareholder or partner being an officer or director of such Person or by reason of such shareholder or partner being the Company or a Subsidiary, Jointly Controlled Entity or Associate of the Company), such Investment complies with the covenant under the caption—Limitation on Transactions with Shareholders and Affiliates;

(c) no Default has occurred and is continuing or would occur as a result of such Investment;

(d) with respect to an Associate in which the Company or any Restricted Subsidiary has made an Investment under this clause (19), (x) if the Company or such Restricted Subsidiary no longer owns at least 20% of the Capital Stock of such Associate, such Investment less the amount of any Receipt will be deemed not to have been made in accordance with this clause (19) and such Investment must at the time such Associate is no longer treated as an Associate satisfy the other requirements of the covenant described under “—Certain covenants—Limitation on Restricted Payments” (including meeting the requirements of one of the other clauses set forth under this Permitted Investment definition) except for clause (4)(b) of the first paragraph of the covenant described under “—Certain covenants—Limitation on Restricted Payments;” and

(e) in the case of any Investment by the Company or any Restricted Subsidiary in a Person of which less than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by the Company or its Restricted Subsidiaries, at the time of such Investment, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in the paragraph (1) of the covenant

under the caption—Certain covenants—Limitation of Indebtedness and Preferred Stock.

For the avoidance of doubt, the value of each Investment made pursuant to this clause (19) shall be determined at the time such Investment is made.

“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 (f) of the second paragraph of the covenant under the caption “—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 (e) of the second paragraph of the covenant described under the caption entitled “—Certain covenants—Limitation on Indebtedness and Preferred Stock;” provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;

(13) Liens under the Security Documents;

(14) Liens securing any Permitted *Pari passu* Secured Indebtedness that complies with each of the requirements set forth under—Security—Permitted *Pari passu* Secured Indebtedness;

(15) any interest or title of a lessor in the property subject to any operating lease;

(16) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (g) of the second paragraph of the covenant under the caption “—Certain covenants—Limitation on Indebtedness and Preferred Stock;”

(17) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;

(18) Liens (including extensions and renewals thereof) upon real or personal property; provided that (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant under the caption entitled “—Limitation on Indebtedness and Preferred Stock” and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item, provided that such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if such Lien is incurred in the ordinary course of business;

(19) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(20) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use

rights or personal property (including, without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person) in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(21) Liens on current assets securing Indebtedness which is permitted to be Incurred under clause (2)(n) of the covenant described under the caption entitled “—Certain covenants—Limitation on Indebtedness and Preferred Stock;”

(22) Liens on assets securing Indebtedness permitted to be Incurred under clause (2)(o) of the “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant;

(23) Liens on the Capital Stock of a Restricted Subsidiary granted by the Company or any Restricted Subsidiary in favor of any Financial Company Investor in respect of, and to secure, the Indebtedness of the type described under clause (2)(q) of the “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant;

(24) Liens Incurred on deposits or bank accounts made to secure Bank Deposit Secured Indebtedness of the type described under clause (2)(r) of the “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant;

(25) Liens on the Capital Stock of the Person that is to be acquired under the relevant Minority Interest Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(s) of the “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant;

(26) Liens securing Indebtedness Incurred under clause (2)(t) of the “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant;

(27) Liens securing Indebtedness Incurred under clause (2)(u) of the “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant;

(28) Liens on Investment Properties or fixed assets securing Indebtedness of the Company or any Restricted Subsidiary permitted to be Incurred under clause (2)(v) of the “—Certain Covenants—Limitation on Indebtedness and Preferred Stock” covenant;

(29) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(x) of the “—Certain Covenants—Limitation on Indebtedness and Preferred Stock” covenant;

(30) Liens securing or arising from Entrusted Loans; and

(31) 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.

provided that, with respect to the Collateral, Permitted Liens shall only refer to the Liens described in clauses (1), (13) and (14) of this definition.

“Permitted *Pari passu* Secured Indebtedness” has the meaning set forth under—Security—Permitted *Pari passu* Secured Indebtedness.

“Permitted Subsidiary Indebtedness” means Indebtedness (other than Public Indebtedness) of, and all Preferred Stock issued by, the Non-Guarantor Restricted Subsidiaries, taken as a whole; provided that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the sum of the aggregate principal amount outstanding of (x) all such Indebtedness of the Non-Guarantor Restricted Subsidiaries (excluding the amount of any Indebtedness of any Restricted Subsidiary permitted under clauses 2(d), 2(f), 2(g) and 2(m) and Subsidiary Guarantees or *Pari passu* Subsidiary Guarantees permitted under clauses 2(a) and 2(b) of the covenant described under—Certain covenants—Limitation on Indebtedness and Preferred Stock), (y) all Public Indebtedness of any Non-Guarantor Subsidiary that constitutes Acquired Indebtedness and (z) all Public Indebtedness that was Incurred by a Non-Guarantor Subsidiary by reason of such entity being a Subsidiary Guarantor prior to being designated as a New Non-Guarantor Subsidiary does not exceed an amount equal to 15% of Total Assets.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; provided that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“Preferred Stock as applied to the Capital Stock of any Person” means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“Project” means the acquisition, development, improvement, management and operation of the Property and any activity related, ancillary or complementary to the acquisition, development, improvement, management or operation of the Property.

“Property” means the parcel or parcels of land located at Panyu District, Guangzhou City, Guangdong Province, the PRC, and any real or personal property located thereon, including any property or structure erected, constructed, fixed, attached or located thereon, as described in the land grant contract, dated December 22, 2009, between (i) the Guangzhou Land and Property Exchange Center, and (ii) Foshan Shunde Country Garden Property Development Company Limited, Gold Volcano Group Limited, Guangzhou R&F Properties Co., Ltd., Kilowell International Limited and Globe Times Investments Limited, as amended or supplemented.

“Public Indebtedness” means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

“PRC CJV” means any Subsidiary that is a sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People’s Republic of China on sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on October 13, 2000) and the Detailed Rules for the Implementation of the Law of the People’s Republic of China on sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995, as such laws may be amended.

“PRC CJV Partner” means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

“PRC Restricted Subsidiary” means a Restricted Subsidiary organized under the laws of the PRC.

“Qualified Exchange” means either (1) The New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Nasdaq Stock market, Singapore Exchange Securities Trading Limited, the Australian Securities Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Malaysian Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act).

“Qualified IPO” means a listing (or a deemed new listing pursuant to the rules of the relevant stock exchange or governing body) of ordinary shares of a company on a Qualified Exchange; provided that in the case that such listing is on a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act), such listing shall result in a public float of no less than the percentage required by the applicable listing rules.

“Rating Agencies” means (1) S&P, (2) Moody’s, (3) Fitch or (4) if S&P, Moody’s, Fitch or any 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 S&P, Moody’s, Fitch or any of them, as the case may be.

“Rating Category” means (1) with respect to S&P, any of the following categories: BB, B, CCC, CC, C and D (or equivalent successor categories); (2) with respect to Moody’s, any of the following categories: Ba, B, Caa, Ca, C and D (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: BB, B, CCC, CC, C, or D (or equivalent successor categories); and (4) the equivalent of any such category of S&P, 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 (+ and – for S&P; 1, 2 and 3 for Moody’s; + and – for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from BB+ to BB, as well as from B- to B+, will constitute a decrease of one gradation).

“Rating Date” means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under the caption “—Consolidation, merger and sale of assets,” that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

“Rating Decline” means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes, is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any

of the events listed below, or (2) in connection with actions contemplated under the caption “— Consolidation, merger and sale of assets,” the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(A) where the Notes are rated by three Rating Agencies on the Rating Date,

(a) in the event the Notes are rated by all three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three or all three Rating Agencies shall be below Investment Grade;

(b) in the event the Notes are rated by any two, but not all three, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by either of such two Rating Agencies shall be below Investment Grade;

(c) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade or the rating of the Notes by the other two Rating Agencies shall both be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories); or

(d) in the event the Notes are rated below Investment Grade by all three of the Rating Agencies on the Rating Date, the rating of the Notes by any two of the three or all three Rating Agencies shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

(B) where the Notes are rated by two Rating Agencies on the Rating Date,

(a) in the event the Notes are rated by both 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).

(C) where the Notes are rated by one Rating Agency on the Rating Date,

(a) in the event the Notes are rated by such Rating Agency on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(b) in the event the Notes are rated below Investment Grade by such Rating Agency on the Rating Date, the rating of the Notes by such Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

(D) where the Notes are not rated by any Rating Agency on the Rating Date, a Rating Decline is deemed to have occurred.

“Receipt” means, at any time, with respect to an Associate, an amount equal to the net reduction in all Investments made in such Associate under clause (19) of the definition of Permitted Investment since the Original Issue Date resulting from (A) receipt of payments in cash by the Company or any Restricted Subsidiary in respect of all such Investments, including interest on, or repayments of, loans or advances, dividends or other distributions (except, in each case, to the extent any such payments are included in the calculation of Consolidated Net Income), (B) the unconditional release of a Guarantee of any obligation of any Associate provided under such clause (19) after the Original Issue Date by the Company or any Restricted Subsidiary, (C) to the extent that an Investment made after the Original Issue Date under such clause (19) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the reasonable costs of disposition, if any) and (y) the initial amount of such Investment, or (D) such Associate becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Associate since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of the definition of Permitted Investment definition.

“Reference Treasury Dealer” means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m. on the third Business Day preceding such redemption date.

“Replacement Assets” means, on any date, property or assets (other than current assets that are not land use rights, properties under development or completed property held for sale) of a nature or type or that are used in the businesses of the Company or any of its Restricted Subsidiaries.

“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 a Restructuring Group.

“Restructuring Group” means a group of Subsidiaries of the Company for which the Company contemplates a Qualified IPO.

“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.

“Security Documents” means, collectively, the pledge agreements and any other agreements or instruments that may evidence or create any security interest in favor of the Trustee or the Intercreditor/Collateral Agent and/or any Holders in any or all of the Collateral securing, with

respect to the Notes, the obligations of the Company under the Notes and the Indenture and of the Subsidiary Guarantor Pledgors under their respective Subsidiary Guarantees.

“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 the Notes or, in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its 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.

“September 2023 Indenture” means the indenture dated September 28, 2016 governing the September 2023 Notes, as amended and supplemented.

“September 2023 Notes” means the 4.75% Senior Notes due 2023 issued by the Company from time to time pursuant to the September 2023 Indenture.

“September 2023 Trustee” means the trustee under the September 2023 Indenture.

“Significant Restricted Subsidiary” means a Restricted Subsidiary, when consolidated with its Restricted Subsidiaries, that would be a significant subsidiary within the meaning of the definition of significant subsidiary in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Original Issue Date; provided that in each instance in such definition in which the term 10 percent is used, the term 5 percent shall be substituted therefor.

“Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Subordinated Indebtedness” means any Indebtedness of the Company or any Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes or any Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity (1) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person; or (2) of which 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case

which is controlled and consolidated by such Person in accordance with GAAP; provided, however, that with respect to clause (2) the occurrence of any event as a result of which such corporation, association or other business entity ceases to be controlled by such Person under GAAP and to constitute a Subsidiary of such Person shall be deemed to be a designation of such corporation, association or other business entity as an Unrestricted Subsidiary by such Person and be subject to the requirements under the first paragraph of Designation of Restricted and Unrestricted Subsidiaries covenant.

“Subsidiary Guarantee” means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; provided that Subsidiary Guarantor will not include any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes.

“Subsidiary Guarantor Pledgor” means any initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; provided that a Subsidiary Guarantor Pledgor will not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, the People’s Republic of China, Hong Kong and Singapore or any agency of any of the foregoing, in each case maturing within one year;
- (2) time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated A (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of P-1 (or higher) according to Moody’s 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; and

(7) time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with any banks or financial institutions (i) organized under the laws of the PRC, or (ii) made in the ordinary course of business.

"Total Assets" means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); provided that

(1) only with respect to clause (2)(h) of "—Certain covenants—Limitation on Indebtedness and Preferred Stock" covenant and the definition of Permitted Subsidiary Indebtedness, Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder in each case as of such date, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness;

(2) only with respect to clause (2)(u) of "—Certain covenants—Limitation on Indebtedness and Preferred Stock" covenant, with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving pro forma effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Company as a result of such Person becoming a Restricted Subsidiary; and

(3) only with respect to any Person becoming a New Non-Guarantor Restricted Subsidiary, pro forma effect shall at such time be given to the consolidated assets of such New Non-Guarantor Subsidiary (including giving pro forma effect to any other change to the consolidated assets of the Company, in each case as a result of such Person becoming a New Non-Guarantor Restricted Subsidiary).

"Trade Payables" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

"Transaction Date" means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"Unrestricted Subsidiary" means, unless redesignated as a Restricted Subsidiary pursuant to the covenant summarized under the caption "—Certain covenants—Designation of Restricted and

Unrestricted Subsidiaries,” Bright Start Group Limited, Top Favor Holdings Limited, Golden Favor Investments Limited, Pure Smart Enterprises Limited, Country Garden Properties (Malaysia) Sdn Bhd, Vibrant Corridor Sdn Bhd, Mayland Venue Sdn Bhd, Country Garden Real Estate Sdn Bhd, Country Garden Danga Bay Sdn Bhd, Country Garden (S) Pte. Ltd, Great Favor Holdings Limited, Country Garden Australia Pty Ltd, Country Garden Landscape Sdn. Bhd., BGY North Ryde Pty Ltd, Damai Binajaya Sdn. Bhd., Country Garden Waterfront Sdn. Bhd., Country Garden Pacificview Sdn. Bhd., Suntide Holdings Limited, Silver Dawn Holdings Limited, Sky Global International Development Limited, World Target International Development Limited, Gold Treasure International Development Limited, Yield Limited, Dongguan River Bank Garden Property Development Co., Ltd, PT. Country Garden Indonesia, Country Garden (Canada) Corporation, 675654 N.B. Inc., 675656 N.B. Inc., 675657 N.B. Inc., AG Consultant Pty Ltd, Giant Leap Construction Sdn Bhd, Country Garden Commercial Management Sdn. Bhd. (formerly known as Country Garden Seaview Sdn Bhd), CGPV Industrial Building System Sdn. Bhd. (formerly known as Country Garden Waterview Sdn Bhd, Giant Light M&E Engineering Sdn Bhd, Teng Yue Overseas Construction Sdn Bhd, Green Prospect Investments Limited, Excel Group Developments Limited, BGY Australia Holdings Pty Ltd, BGY US Real Estate, LLC, Azure Sea International Limited, Beauty Humble Limited, Great Stride Investments Limited, Harbor Ease Limited, Scenic Reserve Limited, Tin Spring Limited, Top Speed Enterprises Limited, View Glory Enterprises Limited, Ascent Win Limited, Credit Source Limited, Grace Will Holdings Limited, New Prime Investments Limited, Winning Billion Limited, Qianhai Country Garden Huijin Investment Consulting (Shenzhen) Co., Ltd, Qianhai Country Garden Fuxin Investment Consulting (Shenzhen) Co., Ltd, Country Garden St Leonards No.1 Pty Ltd, Country Garden St Leonards No.2 Pty Ltd, Country Garden St Leonards Pty Ltd, Country Garden Forest City Phoenix Hotel Sdn Bhd (formerly known as Country Garden Hotel Management Sdn Bhd), Transcend Commercial Management Sdn Bhd, Genesis Commercial Management Sdn Bhd, Forest City Branding Sdn Bhd, Country Garden Logistics Sdn Bhd, Country Garden Finance Holdings and Great Sino Development Limited and (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.

“Unrestricted Subsidiary Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from any Unrestricted Subsidiary; provided that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“U.S. Government Obligations” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the Company 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, BVI and Hong Kong tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes.

Cayman Islands

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor in Cabinet:

(a) 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

(b) 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 by the Company:

(i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concession Law (1999 Revision).

The undertaking is for a period of 20 years from December 19, 2006.

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands is a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not a party to any double tax treaties.

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands. We do not hold, and do not intend to hold, any interest in land in the Cayman Islands.

British Virgin Islands

There is no income or other tax of the BVI imposed by withholding or otherwise on any payment to be made to or by the Subsidiary Guarantors pursuant to the execution, delivery, performance or enforcement of the Subsidiary Guarantees.

Hong Kong

Withholding tax

No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Notes) or interest in respect of the Notes.

Profits tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance") as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note.

Plan of distribution

Under the terms and subject to the conditions contained in a purchase agreement dated January 9, 2018 (the "Purchase Agreement") between the Company, Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities plc, BNP Paribas and BOCI Asia Limited (the "Initial Purchasers"), the Initial Purchasers have agreed to purchase from us, and we have agreed to sell to the Initial Purchasers, US\$850,000,000 aggregate principal amount of the Notes set forth opposite its name below:

Initial Purchasers	Principal Amount of the January 2023 Notes	Principal Amount of the January 2025 Notes
Goldman Sachs (Asia) L.L.C.	US\$87,500,000	US\$210,000,000
J.P. Morgan Securities plc	US\$87,500,000	US\$210,000,000
BNP Paribas	US\$37,500,000	US\$90,000,000
BOCI Asia Limited	US\$37,500,000	US\$90,000,000
Total	US\$250,000,000	US\$600,000,000

The Purchase Agreement provides that the obligations of the Initial Purchasers are subject to certain conditions precedent, and entitles the Initial Purchasers to terminate it under certain circumstances prior to the Notes being issued. The offering price and other selling terms may be varied from time to time by the Initial Purchasers. It is possible that only a limited number of investors may hold a significant proportion of the Notes. If this is the case, liquidity of trading in the Notes may be constrained. Neither the Company, the Subsidiary Guarantors nor the Initial Purchasers are under any obligation to disclose the extent of the distribution of the Notes amongst individual investors.

In addition, we have agreed with the Initial Purchasers that we will pay a commission to certain private banks in connection with the distribution of the Notes to their clients. This commission will be based on the principal amount of the Notes so distributed, and may be deducted from the purchase price for the Notes payable by such private banks upon settlement.

We will pay the Initial Purchasers fees and commissions in connection with the Offering and will reimburse the Initial Purchasers for certain expenses incurred in connection with the Offering. We and the Subsidiary Guarantors have agreed to indemnify jointly and severally the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments which the Initial Purchasers may be required to make in respect thereof.

The Notes are a new issue of securities with no established trading market. We have been advised that the Initial Purchasers presently intend to make a market in the Notes, as permitted by applicable laws and regulations. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any such market making may be discontinued at any time without prior notice at the sole discretion of the Initial Purchasers. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. We have been advised by the Initial Purchasers that, in connection with the offering of the Notes, the Initial Purchasers, as stabilizing managers, or any person or entity acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Initial Purchasers, as stabilizing managers, or any person or entity acting on its behalf, may over-allot the offering, creating a syndicate short position. In addition, the Initial Purchasers, as stabilizing managers, or any person or entity acting on its behalf, may bid for, and purchase, the Notes in the open market to cover syndicate shorts or to stabilize the price of the Notes. Any of these activities may stabilize or

maintain the market price of the Notes above independent market levels. The Initial Purchasers, as stabilizing managers, or any person or entity acting on its behalf, is not required to engage in these activities, and may end any of these activities at any time. No assurance can be given as to the liquidity of, or the trading market for, the Notes.

The Initial Purchasers and certain of their affiliates have in the past and may in the future have performed certain investment banking, commercial/corporate banking and advisory services for the Company and/or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform banking and advisory services for the Company and/or its affiliates in the ordinary course of their business. Goldman Sachs (Asia) L.L.C. was one of the underwriters of the Rights Issue. In connection with the Rights Issue, Goldman Sachs (Asia) L.L.C. provided a bridge loan to us. As of the date of the offering memorandum, the bridge loan has been fully repaid. In addition, Goldman Sachs (Asia) L.L.C. provided a loan to our shareholder which is secured by a pledge of our shares in connection with the Rights Issue. We may enter into hedging or other derivative transactions as part of our risk management strategy with 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.

The Initial Purchasers or certain of their affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution.

As of the date of this offering memorandum, certain initial purchaser and its affiliates hold positions of the notes previously issued by the Issuer, which may be further distributed or held for their principal investment.

The Initial Purchasers or their affiliates may purchase the Notes and/or other securities of the Company for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Company or its subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this offering memorandum relates (notwithstanding that such selected counterparties may also be purchasers of the Notes).

In connection with this offering of the Notes, the Initial Purchasers and/or their affiliate(s) may act as an investor for its own account and may take up Notes in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering of the Notes. Accordingly, references herein to the Notes being offered should be read as including any offering of the Notes to the Initial Purchasers and/or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

We expect that delivery of the Notes will be made against payment therefor on or about the closing date specified on the cover page of this offering memorandum, which will be on or about the fifth business day following the pricing date of the Notes (this settlement cycle is referred to as "T+5"). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next

succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or succeeding business days should consult their own legal advisor.

Selling restrictions

United States

The Notes have not been and will not be registered under the Securities Act or any state securities law and may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each of the Initial Purchasers represents that it has not offered or sold, and agrees that it will not offer, sell or deliver, any Notes constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

Prohibition of Sales to EEA Retail Investors

Each of the Initial Purchaser represents and agrees that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any securities to any retail investor in the European Economic Area. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Each of the Initial Purchasers represents, warrants and agrees that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Singapore

Each Initial Purchasers acknowledges that this offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Initial Purchaser represents and agrees that it has not offered or sold any Notes or caused any Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause any Notes to be made the subject of an invitation for subscription or purchase,

and has not circulated or distributed, nor will it circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale or invitation for subscription or purchase, of any Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where any 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 Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; or

(ii) where no consideration is or will be given for the transfer; or

(iii) where the transfer is by operation of law; or

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Hong Kong

Each of the Initial Purchasers represents and agrees that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the SFO) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the C(WUMP)O) or which do not constitute an offer to the public within the meaning of C(WUMP)O; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to

the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the **FIEA**) and each of the Initial Purchasers represents and agrees that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Cayman Islands

The Company is prohibited from making any invitation to the public in the Cayman Islands to subscribe for any of its securities, including the Notes. It has not offered or sold or made any invitation to subscribe for, and will not offer or sell or make any invitation to subscribe for, any Notes to the public in the Cayman Islands.

People’s Republic of China

Each of the Initial Purchasers represents and agrees that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Notes in the People’s Republic of China (excluding Hong Kong, Macau and Taiwan) as part of the initial distribution of the Notes.

Transfer restrictions

Because of the following restrictions, purchasers are advised to consult their legal counsel prior to making any offer, sale, resale, charge or other transfer of the Notes.

The Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only to non-U.S. persons outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

By its purchase of the Notes, each purchaser of the Notes will be deemed to:

1. represent that it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion, that it and any such account is a purchaser that is outside the United States and is not a U.S. person, that it is not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that it is not acting on our behalf and that it is not a U.S. person (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and it is purchasing Notes (including the Subsidiary Guarantees) in an offshore transaction in accordance with Regulation S;
2. acknowledge that the Notes and the Subsidiary Guarantees has not been and will not be registered under the Securities Act and may not be offered or sold within the United States except as set forth below;
3. agree on its own behalf and on behalf of any investor account for which it is purchasing Notes, and each subsequent holder of the Notes (including the Subsidiary Guarantees) by its acceptance of the Notes will agree, that until the end of the 40-day distribution compliance period, the Notes (including the Subsidiary Guarantees) may be offered, sold or otherwise transferred only: (i) to the Company or any subsidiary thereof, (ii) outside the United States in a transaction complying with the provisions of Rule 904 under the Securities Act, (iii) pursuant to an available exemption from the registration requirements of the Securities Act or (iv) pursuant to an effective registration statement under the Securities Act, in each of the above cases in accordance with any applicable securities laws of any State of the United States; subject in each case to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control and in compliance with applicable state and other securities laws;
4. agree that if it is a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, that until the expiration of the 40-day distribution compliance period, it shall not make any offer or sale of the Notes to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902 under the Securities Act;
5. agree that it will inform each person to whom it transfers the Notes of any restrictions on transfer of such Notes;
6. understand that if it is a purchaser outside the United States, the Notes will be represented by the Global Note and that transfers thereto are restricted as described under "Description of the Notes—Book-entry; delivery and form;"

7. understand that each Note sold within the United States will bear a legend to the following effect unless otherwise agreed by the Company and the holder thereof (unless such Note has been sold pursuant to a registration statement that has been declared effective under the Securities Act):

THIS NOTE AND THE SUBSIDIARY GUARANTEES IN RESPECT HEREOF (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION ORIGINALLY EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATIONS UNDER THE SECURITIES ACT. THE HOLDER OF THIS NOTE, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF 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. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATIONS UNDER THE SECURITIES ACT; and

8. acknowledge that the Company, the Subsidiary Guarantors, the Trustee, the Paying Agent, the Transfer Agent, the Initial Purchaser and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agree that if any of the acknowledgements, representations or agreements deemed to have been made by its purchase of the Notes are no longer accurate, it shall promptly notify the Company, the Subsidiary Guarantors, the Trustee, the Paying Agent, the Transfer Agent and the Initial Purchaser. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Ratings

The Notes are expected to be rated BBB- 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. Additionally, we have been rated BB with a positive outlook by Standard & Poor's Ratings Services, Ba1 with a stable outlook by Moody's Investors Service and BBB- with a stable outlook by Fitch Ratings. The ratings do not address the payment of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant. Each such rating should be evaluated independently of any other rating on the Notes, on other of our securities, or on us.

Legal matters

Certain legal matters with respect to the Notes will be passed upon for us by Conyers Dill & Pearman as to matters of Cayman Islands law, Conyers Dill & Pearman as to matters of BVI law, Sidley Austin as to matters of United States federal, New York law and Hong Kong law and Commerce & Finance Law Offices as to matters of PRC law. Certain legal matters will be passed upon for the Initial Purchaser by Allen & Overy as to matters of United States federal and New York law and Jingtian & Gongcheng as to matters of PRC law.

Independent auditor

Our consolidated financial statements as of and for each of the fiscal years ended December 31, 2015 and 2016 reproduced in this offering memorandum have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as stated in their reports appearing herein.

Our unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2017 reproduced in this offering memorandum has been reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as stated in their report appearing herein.

General information

Consents

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands and the BVI in connection with the issue and performance of the Notes and the Subsidiary Guarantees. The entering into the Indenture governing the Notes and the issue of the Notes have been authorized by a resolution of our board of directors dated January 8, 2018. The entering into the Indenture governing the Notes and the giving of the Subsidiary Guarantees have been authorized by resolutions of board of directors of each Subsidiary Guarantor dated January 8, 2018.

Litigation

Save as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Notes or the Subsidiary Guarantees.

No material adverse change

Except as may be otherwise disclosed in this offering memorandum, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2016 that is material in the context of the issue of the Notes.

Documents available

For so long as any of the Notes are outstanding, copies of the Indenture governing the Notes may be inspected free of charge during normal business hours on any weekday (except public holidays) at the corporate trust office of the Trustee.

For so long as any of the Notes are outstanding, copies of the accountant's reports and/or our published financial statements, if any, may be obtained during normal business hours on any weekday (except public holidays) at the corporate trust office of the Trustee.

For a period of not less than 14 days following the listing and quotation of the Notes on the SGX-ST, the following documents (or copies thereof), where applicable, may be inspected during normal business hours on any weekday (except public holidays), without charge, at the principal place of business of the Company in Hong Kong (being Suite 1702, 17/F., Dina House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong):

- (a) the constitutional documents of the issuer;
- (b) the Indenture governing the Notes and the Subsidiary Guarantees and any other trust deed of the Company, paying agency agreement, guarantee or any other material contracts pertaining to the Notes; and
- (c) all reports, letters, valuations or other documents any part of which is included or referred to in this offering memorandum.

Clearing system and settlement

The January 2023 Notes have been accepted for clearance through the facilities of Euroclear and Clearstream with ISIN of XS1751178499 and Common Code of 175117849. The January 2025 Notes have been accepted for clearance through the facilities of Euroclear and Clearstream with ISIN of XS1750118462 and Common Code of 175011846.

Listing of the Notes

Applications have been made for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle for the listing and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Subsidiary Guarantors or any other subsidiary or associated company of the Issuer, the Notes or the Subsidiary Guarantees. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as the Notes are listed on the SGX-ST.

For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that a relevant Global Note is exchanged for definitive Notes. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange shall be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

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Page references included in the unaudited interim condensed consolidated financial information for the six months ended June 30, 2017 and the audited consolidated financial statements for each of the years ended December 31, 2016 and 2015 set forth below refer to pages in such unaudited interim condensed consolidated financial information or consolidated financial statements as appeared in our interim report for the six months ended June 30, 2017 or in our annual reports for the years ended December 31, 2016 and 2015, as the case may be. These interim reports and annual reports are not incorporated by reference herein and do not form part of this offering memorandum.

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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Non-current assets			
Property, plant and equipment	8	21,798,685	20,877,029
Investment properties	8	9,374,890	9,773,430
Intangible assets		301,385	239,367
Land use rights		2,518,459	2,536,458
Properties under development	9	60,529,896	52,342,374
Investments in joint ventures	10	9,319,132	7,311,153
Investments in associates	11	6,078,254	3,873,349
Financial assets at fair value through other comprehensive income		861,063	870,734
Derivative financial instruments		691,567	1,034,387
Trade and other receivables	12	6,478,744	55,500
Deferred income tax assets		10,802,790	7,822,313
		128,754,865	106,736,094
Current assets			
Properties under development	9	295,776,820	216,383,252
Completed properties held for sale		20,704,809	30,885,254
Inventories		2,641,814	2,203,727
Trade and other receivables	12	183,059,380	117,321,747
Contract assets	4	9,932,187	–
Prepaid taxes		25,111,684	14,042,259
Restricted cash	13	10,016,467	11,843,988
Cash and cash equivalents	13	110,113,104	84,646,899
Financial assets at fair value through profit or loss	14	8,517,270	7,321,236
Derivative financial instruments		39,280	187,145
		665,912,815	484,835,507
Current liabilities			
Advanced proceeds received from customers		–	192,408,932
Contract liabilities	4	270,042,724	–
Trade and other payables	15	234,723,274	151,789,260
Receipts under securitisation arrangements		6,642,542	7,043,440
Current income tax liabilities		16,892,041	15,310,412
Senior notes	16	468,929	–
Corporate bonds	17	13,311,424	8,207,477
Dividend payable	25	2,176,743	–
Bank and other borrowings	18	26,847,838	30,512,725
Derivative financial instruments		97,510	41,762
		571,203,025	405,314,008
Net current assets		94,709,790	79,521,499
Total assets less current liabilities		223,464,655	186,257,593

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION



	Note	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Non-current liabilities			
Senior notes	16	28,100,965	29,264,448
Corporate bonds	17	24,924,443	29,502,147
Bank and other borrowings	18	62,135,989	38,710,079
Deferred government grants		235,986	237,445
Deferred income tax liabilities		13,710,540	6,928,304
Derivative financial instruments		53,041	–
		129,160,964	104,642,423
Equity attributable to owners of the Company			
Share capital and premium	19	25,036,232	25,677,217
Other reserves	20	4,921,361	4,484,042
Retained earnings	20	48,444,141	39,967,106
		78,401,734	70,128,365
Non-controlling interests		15,901,957	11,486,805
Total equity		94,303,691	81,615,170
Total equity and non-current liabilities		223,464,655	186,257,593

The notes on pages 52 to 88 form an integral part of this interim financial information.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months ended 30 June	
		2017 RMB'000	2016 RMB'000
Revenue	7	77,737,754	57,362,492
Cost of sales	22	(60,641,209)	(45,336,521)
Gross profit		17,096,545	12,025,971
Other income and gains — net	21	1,692,966	263,939
Gains arising from changes in fair value of and transfer to investment properties	8	159,480	360,582
Selling and marketing costs	22	(3,337,312)	(1,981,774)
Administrative expenses	22	(4,038,331)	(1,844,799)
Operating profit		11,573,348	8,823,919
Finance income	23	830,495	269,903
Finance costs	23	—	(263,497)
Finance income — net	23	830,495	6,406
Share of post-tax profits of joint ventures and associates	10,11	6,131	378,899
Profit before income tax		12,409,974	9,209,224
Income tax expenses	24	(4,036,575)	(3,004,349)
Profit for the period		8,373,399	6,204,875
Profit attributable to:			
— Owners of the Company		7,501,432	5,389,583
— Non-controlling interests			
Perpetual capital securities		—	871,467
Other non-controlling interests		871,967	(56,175)
		871,967	815,292
		8,373,399	6,204,875

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME



	Note	Unaudited Six months ended 30 June	
		2017 RMB'000	2016 RMB'000
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
— Change in fair value of financial assets at fair value through other comprehensive income, net of tax		32,474	3,975
Items that may be reclassified to profit or loss:			
— Deferred (losses)/gains on cash flow hedges, net of tax		(59,604)	25,515
— Deferred gains/(costs) of hedging, net of tax		416,268	(300,333)
— Currency translation differences		(174,809)	588,987
Total other comprehensive income for the period, net of tax		214,329	318,144
Total comprehensive income for the period		8,587,728	6,523,019
Total comprehensive income attributable to:			
— Owners of the Company		7,776,945	5,755,778
— Non-controlling interests			
Perpetual capital securities		—	871,467
Other non-controlling interests		810,783	(104,226)
		810,783	767,241
		8,587,728	6,523,019
Earnings per share attributable to owners of the Company (expressed in RMB cents per share)			
Basic	26	34.95	24.18
Diluted	26	34.88	24.17

The notes on pages 52 to 88 form an integral part of this interim financial information.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited							
	Attributable to owners of the Company				Non-controlling interests			
	Share capital and premium RMB'000 (note 19)	Other reserves RMB'000 (note 20)	Retained earnings RMB'000	Total RMB'000	Perpetual capital securities RMB'000	Others RMB'000	Total RMB'000	Total equity RMB'000
Balance at 31 December 2016	25,677,217	4,484,042	39,967,106	70,128,365	-	11,486,805	11,486,805	81,615,170
Adjustment on adoption of HKFRS 15, net of tax (note 4(a))	-	-	3,152,346	3,152,346	-	435,464	435,464	3,587,810
Restated balance at 1 January 2017	25,677,217	4,484,042	43,119,452	73,280,711	-	11,922,269	11,922,269	85,202,980
Comprehensive income for the six months ended 30 June 2017								
Profit for the period	-	-	7,501,432	7,501,432	-	871,967	871,967	8,373,399
Other comprehensive income	-	275,513	-	275,513	-	(61,184)	(61,184)	214,329
Total comprehensive income for the six months ended 30 June 2017	-	275,513	7,501,432	7,776,945	-	810,783	810,783	8,587,728
Transactions with owners in their capacity as owners:								
Capital injections from non-controlling interests	-	-	-	-	-	1,483,029	1,483,029	1,483,029
Dividends	-	-	(2,176,743)	(2,176,743)	-	-	-	(2,176,743)
Buy-back of shares (note 19)	(640,985)	-	-	(640,985)	-	-	-	(640,985)
Employee share schemes	-	139,991	-	139,991	-	-	-	139,991
Non-controlling interests arising from business combinations (note 29)	-	-	-	-	-	1,805,957	1,805,957	1,805,957
Disposal of subsidiaries (note 28)	-	-	-	-	-	(244,746)	(244,746)	(244,746)
Changes in ownership interests in subsidiaries without change of control	-	21,815	-	21,815	-	124,665	124,665	146,480
Total transactions with owners	(640,985)	161,806	(2,176,743)	(2,655,922)	-	3,168,905	3,168,905	512,983
Balance at 30 June 2017	25,036,232	4,921,361	48,444,141	78,401,734	-	15,901,957	15,901,957	94,303,691

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



	Unaudited							
	Attributable to owners of the Company				Non-controlling interests			
	Share capital and premium	Other reserves	Retained earnings	Total	Perpetual capital securities	Others	Total	Total equity
	RMB'000 (note 19)	RMB'000 (note 20)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2016	29,212,611	3,942,139	31,808,028	64,962,778	19,528,000	4,521,696	24,049,696	89,012,474
Comprehensive income for the six months ended 30 June 2016								
Profit for the period	-	-	5,389,583	5,389,583	871,467	(56,175)	815,292	6,204,875
Other comprehensive income	-	366,195	-	366,195	-	(48,051)	(48,051)	318,144
Total comprehensive income for the six months ended 30 June 2016	-	366,195	5,389,583	5,755,778	871,467	(104,226)	767,241	6,523,019
Transactions with owners in their capacity as owners:								
Capital injections from non-controlling interests	-	86,400	-	86,400	-	1,847,148	1,847,148	1,933,548
Redemption of perpetual capital securities	-	-	-	-	(2,928,000)	-	(2,928,000)	(2,928,000)
Dividends and distributions	-	-	(1,454,491)	(1,454,491)	(871,467)	(176,660)	(1,048,127)	(2,502,618)
Employee share schemes	-	62,871	-	62,871	-	-	-	62,871
Buy-back of shares	(809,520)	-	-	(809,520)	-	-	-	(809,520)
Non-controlling interests arising from business combinations	-	-	-	-	-	1,631,353	1,631,353	1,631,353
Disposal of subsidiaries	-	(5,969)	-	(5,969)	-	(365,869)	(365,869)	(371,838)
Changes in ownership interests in subsidiaries without change of control	-	2,264	-	2,264	-	(78,520)	(78,520)	(76,256)
Total transactions with owners	(809,520)	145,566	(1,454,491)	(2,118,445)	(3,799,467)	2,857,452	(942,015)	(3,060,460)
Balance at 30 June 2016	28,403,091	4,453,900	35,743,120	68,600,111	16,600,000	7,274,922	23,874,922	92,475,033

The notes on pages 52 to 88 form an integral part of this interim financial information.

INTERIM CONSOLIDATED CASH FLOW STATEMENT

	Note	Unaudited Six months ended 30 June	
		2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations		30,065,854	(4,664,463)
Income tax paid		(9,751,699)	(4,400,093)
Interest paid		(3,890,084)	(2,618,888)
Net cash generated from/(used in) operating activities		16,424,071	(11,683,444)
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired	29	(2,059,096)	(2,147,843)
Proceeds from disposal of property, plant and equipment		212,617	155,866
Purchases of property, plant and equipment		(1,559,894)	(1,060,301)
Proceeds from disposal of investment properties		–	52,254
Payments for investment properties		(11,061)	(14,421)
Purchases of intangible assets		(4,186)	(7,476)
Purchases of land use rights		(16,720)	(8,331)
Investments in joint ventures		(1,721,045)	(1,930,756)
Investments in associates		(865,106)	(488,044)
Prepayments for acquisitions of property development companies		(5,773,244)	–
Loans advanced to third parties		(1,066,960)	(30,500)
Payments for settlement of derivative financial instruments		(145,890)	–
Cash outflow on disposal of subsidiaries, net	28	(188,030)	(336,457)
Payments of financial assets at fair value through other comprehensive income		–	(265,537)
Payments for financial assets at fair value through profit or loss		(2,013,034)	–
Proceeds from disposal of financial assets at fair value through profit or loss		816,000	–
Proceeds from repayments of loans to related and third parties		561,210	775,971
Interest received	23	405,540	269,903
Net cash used in investing activities		(13,428,899)	(5,035,672)

INTERIM CONSOLIDATED CASH FLOW STATEMENT



	Note	Unaudited Six months ended 30 June	
		2017 RMB'000	2016 RMB'000
Cash flows from financing activities			
Capital injections from non-controlling interests		1,483,029	1,933,548
Buy-back of shares	19	(640,985)	(809,520)
Proceeds from disposal of interests in subsidiaries without loss of control		147,730	12,000
Payments for acquisition of additional interests in subsidiaries		(1,250)	(128,256)
Issue of corporate bonds	17	–	7,960,000
Redemption and repayment of perpetual capital securities		–	(2,928,000)
Proceeds received under securitisation arrangements		–	6,211,000
Proceeds from bank and other borrowings		39,898,033	18,306,798
Repayments of bank and other borrowings		(17,944,887)	(18,751,237)
Distribution to holders of perpetual capital securities		–	(616,749)
Repayments of receipts under securitisation arrangements		(390,000)	–
Net cash generated from financing activities		22,551,670	11,189,584
Net increase/(decrease) in cash and cash equivalents		25,546,842	(5,529,532)
Cash and cash equivalents at the beginning of the period		84,646,899	36,240,752
Exchange (losses)/gains on cash and cash equivalents		(80,637)	89,024
Cash and cash equivalents at the end of the period		110,113,104	30,800,244

The notes on pages 52 to 88 form an integral part of this interim financial information.

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 General information

Country Garden Holdings Company Limited (the “Company”) was incorporated in the Cayman Islands on 10 November 2006 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands. The Company is engaged in investment holding and its subsidiaries (collectively, the “Group”) are principally engaged in the property development, construction, fitting and decoration, property investment, property management and hotel operation.

The Company’s shares are listed on The Stock Exchange of Hong Kong Limited.

This interim financial information is presented in Renminbi (“RMB”), unless otherwise stated, and was approved by the Board of Directors of the Company for issue on 22 August 2017.

Early adoption of HKFRS 15

Hong Kong Financial Reporting Standard 15 “Revenue from Contracts with Customers” (“HKFRS 15”) as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) is effective for the financial year beginning or after 1 January 2018.

The Group however has elected to early adopt HKFRS 15 for its 2017 financial year. The Group has also elected to apply the modified transitional provisions whereby the effects of adopting HKFRS 15 for uncompleted contracts with customers as at 31 December 2016 are adjusted at the opening balance of equity as at 1 January 2017 and prior period comparatives are not restated. The effects of the adoption of HKFRS 15 are set out in Note 4 below.

2 Basis of preparation

This interim financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim Financial Reporting’. This interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016 (“2016 Financial Statements”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA.

NOTES TO THE INTERIM FINANCIAL INFORMATION



3 Significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the 2016 Financial Statements as described therein.

- (a) Amendments and interpretations to existing standards that are effective for the financial year beginning on 1 January 2017 do not have a material impact or are not relevant to the Group.
- (b) The Group has early adopted HKFRS 9 “Financial instruments” (“HKFRS 9”) on 1 January 2016 and HKFRS 15 on 1 January 2017.

New and revised standards, amendments and interpretations to existing standards have been issued and relevant to the Group but are not effective for the financial year beginning on 1 January 2017 and have not been early adopted:

		Effective for the financial year beginning on or after
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
Amendments to HKFRS 4	Insurance Contracts	1 January 2018
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to HKAS 40	Transfers of investment properties	1 January 2018
Amendments to HKAS 28	Investments in associates and joint ventures	1 January 2018
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatment	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

The Group is yet to assess the impact of the above new and revised standards, amendments and interpretations to existing standards on the Group’s consolidated financial statements.

NOTES TO THE INTERIM FINANCIAL INFORMATION

3 Significant accounting policies *(Continued)*

- (c) The Group has elected to early adopt HKFRS 15 as issued by the HKICPA for its 2017 financial year, because the new accounting policies provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows. From 1 January 2017 onwards, the Group has adopted the following accounting policies on revenues. The effects of the adoption of HKFRS 15 are set out in Note 4.

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

For contract where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a significant financing component.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

NOTES TO THE INTERIM FINANCIAL INFORMATION



4 Change in accounting policy

As explained in note 3(c) above, the Group has early adopted HKFRS 15 as issued in July 2014 from 1 January 2017, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 15, comparative figures have not been restated.

The accounting policies were changed to comply with HKFRS 15. HKFRS 15 replaces the provisions of HKAS 18 Revenue ("HKAS18") and HKAS 11 Construction contracts ("HKAS11") that relate to the recognition, classification and measurement of revenue and costs.

The effects of the adoption of HKFRS 15 are as follows:

Presentation of contract assets and liabilities

Reclassifications were made as at 1 January 2017 to be consistent with the terminology used under HKFRS 15:

- Contract liabilities for progress billing recognised in relation to property development activities were previously presented as advanced proceeds received from customers.
- Contract assets recognised in relation to construction activities were previously presented as trade and other receivables — amounts due from customers for contract work.

Accounting for property development activities

In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses.

Under HKFRS 15, properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customers for performance completed to date, the Group recognises revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets.

The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

NOTES TO THE INTERIM FINANCIAL INFORMATION

4 Change in accounting policy *(Continued)*

Accounting for costs incurred to obtain a contract

Following the adoption of HKFRS 15, stamp duty, sales commissions and other costs directly attributable to obtaining a contract, if recoverable, are capitalised as contract assets.

- (a) The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 1 January 2017			Restated RMB'000
	As previously stated RMB'000	Reclassifications under HKFRS 15 RMB'000	Adjustments under HKFRS 15 RMB'000	
<u>Consolidated statement of financial position (extract)</u>				
Properties under development	268,725,626	-	(8,949,148)	259,776,478
Trade and other receivables	117,377,247	(667,059)	(2,201,476)	114,508,712
Contract assets	-	667,059	6,089,288	6,756,347
Advanced proceeds received from customers	192,408,932	(167,885,253)	(24,523,679)	-
Trade and other payables	151,789,260	-	12,197,462	163,986,722
Contract liabilities	-	167,885,253	1,996,785	169,882,038
Deferred income tax liabilities	6,928,304	-	1,680,286	8,608,590
Retained earnings	39,967,106	-	3,152,346	43,119,452
Non-controlling interests	11,486,805	-	435,464	11,922,269

NOTES TO THE INTERIM FINANCIAL INFORMATION



4 Change in accounting policy (Continued)

- (b) The amount by each financial statements line items affected in the current period and period to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 30 June 2017		
	Results without the early adoption of HKFRS 15 RMB'000	Effects of the early adoption of HKFRS 15 RMB'000	Results as reported RMB'000
<u>Consolidated statement of financial position (extract)</u>			
Properties under development	371,093,991	(14,787,275)	356,306,716
Trade and other receivables	194,179,983	(4,641,859)	189,538,124
Contract assets	–	9,932,187	9,932,187
Advanced proceeds received from customers	290,930,455	(290,930,455)	–
Trade and other payables	233,543,945	1,179,329	234,723,274
Contract liabilities	–	270,042,724	270,042,724
Deferred income tax liabilities	10,420,861	3,289,679	13,710,540
Retained earnings	42,538,049	5,906,092	48,444,141
Non-controlling interests	14,886,273	1,015,684	15,901,957
<u>Six months ended 30 June 2017</u>			
	Results without the early adoption of HKFRS 15 RMB'000	Effects of the early adoption of HKFRS 15 RMB'000	Results as reported RMB'000
<u>Consolidated statement of comprehensive income (extract)</u>			
Revenue	62,987,757	14,749,997	77,737,754
Cost of sales	(51,015,016)	(9,626,193)	(60,641,209)
Selling and marketing costs	(3,120,249)	(217,063)	(3,337,312)
Administrative expenses	(4,074,949)	36,618	(4,038,331)
Income tax expenses	(2,427,182)	(1,609,393)	(4,036,575)
<u>Consolidated cash flow statement (extract)</u>			
Cash generated from operations			
– Profit for the period	5,039,433	3,333,966	8,373,399
Changes in working capital:			
– Properties under development and completed properties held for sale	(61,836,351)	14,787,275	(47,049,076)
– Contract assets	–	(9,932,187)	(9,932,187)
– Contract liabilities	–	59,590,642	59,590,642
– Advanced proceeds received from customers	80,478,373	(80,478,373)	–
– Trade and other receivables	(63,555,374)	4,641,859	(58,913,515)
– Trade and other payables	77,582,693	1,179,329	78,762,022

NOTES TO THE INTERIM FINANCIAL INFORMATION

4 Change in accounting policy *(Continued)*

(c) Details of contract assets are as follows:

	30 June 2017 RMB'000	1 January 2017 RMB'000
Contract assets related to sales and construction of properties	4,718,333	3,328,104
Contract assets related to other construction contracts	1,001,343	667,059
Costs for obtaining contracts	4,212,511	2,761,184
Total contract assets	9,932,187	6,756,347

5 Judgements and Estimates

The preparation of the interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial information, in addition to the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty applied to the 2016 Financial Statements, the following judgements and estimates were applied:

Judgements and estimates in revenue recognition for property development activities

The Group develops and sells residential and commercial properties in different countries. Revenue is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The properties have generally no alternative use for the Group due to contractual restrictions. However, whether there is an enforceable right to payment and hence the related contract revenue is recognised over time, depends on the terms of each contract and the relevant laws that apply to that contract. To assess the enforceability of right to payment, the Group has reviewed the terms of its contracts, the relevant local laws, the local regulators' views and obtained legal advice, when necessary.

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of that performance obligation at the reporting date. This is measured based on the Group's efforts or budgeted inputs to the satisfaction of the performance obligation. Significant judgement and estimation are required in determining the completeness and accuracy of the budgets and the extent of the costs incurred and the allocation of cost to that property unit. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. In making the above estimation, the Group relies on past experience and work of contractors and surveyors.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the buyer obtains the physical possession or legal title of the completed property and the consideration amount is collected. The Group seldom provides long credit or payment terms to its property buyer.

NOTES TO THE INTERIM FINANCIAL INFORMATION



6 Financial risk management

6.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2016 Financial Statements.

There have been no significant changes in the risk management department since the last year end or in any risk management policies since the last year end.

6.2 Liquidity risk

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity grouping based on the remaining period at the date of statement of financial position to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Unaudited					
At 30 June 2017					
Senior notes (principal amount plus interest)	1,969,657	7,389,177	14,542,520	13,150,169	37,051,523
Bank and other borrowings (principal amount plus interest)	31,235,288	30,828,145	33,359,059	2,713,525	98,136,017
Corporate bonds (principal amount plus interest)	13,926,694	17,320,350	8,098,185	2,078,000	41,423,229
Derivative financial instruments	97,510	53,041	-	-	150,551
Trade and other payables (excluding other taxes payable and salaries payable)	206,789,282	-	-	-	206,789,282
Receipts under securitisation arrangements	6,777,527	-	-	-	6,777,527
Dividend payable	2,176,743	-	-	-	2,176,743
Total	262,972,701	55,590,713	55,999,764	17,941,694	392,504,872

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 Financial risk management *(Continued)*

6.2 Liquidity risk *(Continued)*

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Audited					
At 31 December 2016					
Senior notes (principal amount plus interest)	2,016,933	2,016,933	21,079,158	13,836,280	38,949,304
Bank and other borrowings (principal amount plus interest)	33,756,108	19,868,415	19,169,155	2,590,197	75,383,875
Corporate bonds (principal amount plus interest)	9,923,618	16,858,955	12,288,185	2,078,000	41,148,758
Receipts under securitisation arrangements	7,230,392	–	–	–	7,230,392
Trade and other payables (excluding other taxes payable and salaries payable)	137,894,311	–	–	–	137,894,311
Derivative financial instruments	41,762	–	–	–	41,762
Total	190,863,124	38,744,303	52,536,498	18,504,477	300,648,402

NOTES TO THE INTERIM FINANCIAL INFORMATION



6 Financial risk management *(Continued)*

6.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by level of the inputs to valuation techniques used to measure fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2017				
Assets				
Financial assets at fair value through other comprehensive income	-	-	861,063	861,063
Derivative financial instruments	-	730,847	-	730,847
Financial assets at fair value through profit or loss	397,570	8,119,700	-	8,517,270
Total	397,570	8,850,547	861,063	10,109,180
Liabilities				
Derivative financial instruments	-	150,551	-	150,551
At 31 December 2016				
Assets				
Financial assets at fair value through other comprehensive income	-	-	870,734	870,734
Derivative financial instruments	-	1,221,532	-	1,221,532
Financial assets at fair value through profit or loss	1,188,096	6,133,140	-	7,321,236
Total	1,188,096	7,354,672	870,734	9,413,502
Liabilities				
Derivative financial instruments	-	41,762	-	41,762

There were no transfers among level 1, 2 and 3 during the period.

There were no changes in valuation techniques during the period.

NOTES TO THE INTERIM FINANCIAL INFORMATION

7 Segment information

The executive directors review the Group's internal reporting in order to assess performance and allocate resources. The executive directors have determined the operating segments based on these reports.

The executive directors assess the performance of the Group organised into five business segments as follows:

- Property development;
- Construction, fitting and decoration;
- Property investment;
- Property management; and
- Hotel operation.

The executive directors assess the performance of the operating segments based on a measure of operating profit, adjusted by excluding fair value changes on derivative financial instruments and financial assets at fair value through profit or loss, and including share of post-tax profits of joint ventures and associates.

Segment assets consist primarily of property, plant and equipment, intangible assets, land use rights, investment properties, contract assets, properties under development, completed properties held for sale, inventories, receivables and operating cash. They exclude deferred income tax assets, financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and derivative financial instruments. Segment liabilities consist primarily of operating liabilities. They exclude senior notes, corporate bonds, receipts under securitisation arrangements, bank and other borrowings, current and deferred income tax liabilities and derivative financial instruments.

Capital expenditure comprises additions to property, plant and equipment, land use rights, investment properties and intangible assets.

Revenue consists of the following:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Sales and construction of properties under property development activities	74,474,618	55,406,431
Rendering of other construction, fitting and decoration services	1,105,801	192,326
Rental income	76,167	52,771
Rendering of property management services	1,207,814	969,036
Rendering of hotel services	873,354	741,928
	77,737,754	57,362,492

NOTES TO THE INTERIM FINANCIAL INFORMATION



7 Segment information *(Continued)*

Sales between segments are carried out according to the terms and conditions agreed by the respective segments' management.

The Group's revenue is mainly attributable to the market in mainland China and over 90% of the Group's non-current assets are located in mainland China. No geographical information is therefore presented.

The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue.

The segment information provided to the executive directors for the reportable segments is as follows:

	Property development RMB'000	Construction, fitting and decoration RMB'000	Property investment RMB'000	Property management RMB'000	Hotel operation RMB'000	Total Group RMB'000
Six months ended 30 June 2017						
Total revenue	74,474,618	10,063,617	76,167	1,414,934	910,999	86,940,335
Recognised at a point in time	59,724,621	-	-	-	-	59,724,621
Recognised over time	14,749,997	10,063,617	76,167	1,414,934	910,999	27,215,714
Inter-segment revenue	-	(8,957,816)	-	(207,120)	(37,645)	(9,202,581)
Revenue (from external customers)	74,474,618	1,105,801	76,167	1,207,814	873,354	77,737,754
Depreciation and amortisation of property, plant and equipment, intangible assets and land use rights	234,110	14,073	-	7,212	327,995	583,390
Amortisation of incremental costs for obtaining contracts with customers	180,445	-	-	-	-	180,445
Segment results	11,253,927	91,574	194,474	257,486	(75,235)	11,722,226
At 30 June 2017						
Total segment assets after elimination of inter-segment balances	735,591,877	12,635,545	9,406,468	2,474,349	13,647,471	773,755,710
Capital expenditure	959,173	13,580	11,061	15,330	596,032	1,595,176
Total segment liabilities after elimination of inter-segment balances	492,139,215	10,333,803	34,287	1,405,435	1,089,244	505,001,984

NOTES TO THE INTERIM FINANCIAL INFORMATION

7 Segment information *(Continued)*

	Property development RMB'000	Construction, fitting and decoration RMB'000	Property investment RMB'000	Property management RMB'000	Hotel operation RMB'000	Total Group RMB'000
Six months ended 30 June 2016						
Segment revenue	55,406,431	8,660,987	52,771	1,130,004	770,544	66,020,737
Inter-segment revenue	–	(8,468,661)	–	(160,968)	(28,616)	(8,658,245)
Revenue (from external customers)	55,406,431	192,326	52,771	969,036	741,928	57,362,492
Depreciation and amortisation	260,837	13,031	–	12,688	184,195	470,751
Segment results	8,695,592	46,770	417,005	187,498	(123,269)	9,223,596
At 31 December 2016						
Total segment assets after elimination of inter-segment balances	538,238,604	10,581,790	9,784,491	2,236,630	13,494,271	574,335,786
Capital expenditure	1,389,217	18,823	107,035	23,089	1,033,103	2,571,267
Total segment liabilities after elimination of inter-segment balances	335,241,443	6,838,329	12,768	1,378,201	964,896	344,435,637

As at 30 June 2017, segment assets of the property development segment and property management segment included the amounts of investments in joint ventures and associates accounted for using the equity method totalling RMB15,375,782,000 (31 December 2016: RMB11,184,502,000) and RMB21,604,000 (31 December 2016: nil), respectively.

Reportable segment results are reconciled to profit before income tax as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Total segment results	11,722,226	9,223,596
Changes in fair value of derivative financial instruments	(168,221)	(42,792)
Fair value gains on financial assets at fair value through profit or loss	25,474	22,014
Finance income – net	830,495	6,406
Profit before income tax	12,409,974	9,209,224

NOTES TO THE INTERIM FINANCIAL INFORMATION



7 Segment information *(Continued)*

Reportable segments' assets and liabilities are reconciled to total assets and total liabilities as follows:

	30 June 2017 RMB'000	31 December 2016 RMB'000
Total segment assets after elimination of inter-segment balances	773,755,710	574,335,786
Deferred income tax assets	10,802,790	7,822,313
Financial assets at fair value through other comprehensive income	861,063	870,734
Derivative financial instruments	730,847	1,221,532
Financial assets at fair value through profit or loss	8,517,270	7,321,236
Total assets	794,667,680	591,571,601
Total segment liabilities after elimination of inter-segment balances	505,001,984	344,435,637
Dividend payable	2,176,743	–
Deferred income tax liabilities	13,710,540	6,928,304
Current income tax liabilities	16,892,041	15,310,412
Receipts under securitisation arrangements	6,642,542	7,043,440
Bank and other borrowings	88,983,827	69,222,804
Senior notes	28,569,894	29,264,448
Corporate bonds	38,235,867	37,709,624
Derivative financial instruments	150,551	41,762
Total liabilities	700,363,989	509,956,431

NOTES TO THE INTERIM FINANCIAL INFORMATION

8 Property, plant and equipment and investment properties

	Property, plant and equipment RMB'000	Investment properties RMB'000
Six months ended 30 June 2017		
Opening net book amount at 1 January 2017	20,877,029	9,773,430
Acquisition of subsidiaries (note 29)	107,849	–
Other additions	1,563,209	11,061
Transfer from properties under development and completed properties held for sale	–	213,909
Revaluation gains upon transfers	–	30,301
Fair value change	–	129,179
Transfer to properties under development	–	(344,890)
Disposal of subsidiaries	(12,165)	(438,100)
Other disposals	(203,363)	–
Depreciation	(538,614)	–
Exchange differences	4,740	–
Closing net book amount at 30 June 2017	21,798,685	9,374,890
Six months ended 30 June 2016		
Opening net book amount at 1 January 2016	20,019,841	8,686,295
Acquisition of a subsidiary	7,668	–
Other additions	1,039,931	14,421
Transfer from properties under development and completed properties held for sale	–	648,162
Revaluation gains upon transfers	–	280,054
Fair value change	–	80,528
Disposals	(163,509)	(70,615)
Depreciation	(432,677)	–
Exchange differences	39,248	–
Closing net book amount at 30 June 2016	20,510,502	9,638,845

The Group's investment properties were valued at transfer or business acquisition dates, and at 30 June 2017 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent and professionally qualified valuer who holds recognised relevant professional qualifications and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates the highest and best use.

There were no changes to the valuation techniques during the current period.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. At 30 June 2017 and 31 December 2016, the Group had only level 3 investment properties.

NOTES TO THE INTERIM FINANCIAL INFORMATION



9 Properties under development

	30 June 2017 RMB'000	31 December 2016 RMB'000
Properties under development expected to be completed:		
– Within a normal operating cycle included under current assets	295,776,820	216,383,252
– Beyond a normal operating cycle included under non-current assets	60,529,896	52,342,374
	356,306,716	268,725,626
Amount comprises:		
– Construction costs	201,472,356	165,107,836
– Land use rights	144,453,487	95,484,336
– Borrowings costs capitalised	10,380,873	8,133,454
	356,306,716	268,725,626

The normal operating circle of the Group's property development generally ranges from one to two years.

At 30 June 2017, properties under development amounting to RMB216,501,346,000 (31 December 2016: RMB160,526,815,000) were expected to be completed for sale beyond one year.

The capitalisation rate used to determine the amount of interest on general borrowings incurred eligible for capitalisation for the six months ended 30 June 2017 was 5.75% per annum (six months ended 30 June 2016: 6.33% per annum). Most of the properties under development are located in the People's Republic of China ("PRC").

NOTES TO THE INTERIM FINANCIAL INFORMATION

10 Investments in joint ventures

	Six months ended	
	30 June 2017 RMB'000	30 June 2016 RMB'000
At 1 January	7,311,153	803,934
Additions	2,132,732	3,809,260
Disposals	(5,015)	–
Share of post-tax (losses)/profits	(119,738)	426,484
– Gains arising from negative goodwill	304,510	443,647
– Share of results	(424,248)	(17,163)
At 30 June	9,319,132	5,039,678

The balance comprises the following:

	30 June 2017 RMB'000	31 December 2016 RMB'000
Unlisted investments		
– Share of net assets	9,218,372	7,210,393
– Goodwill	100,760	100,760
	9,319,132	7,311,153

Additions during the period mainly included the acquisitions of equity interests in property development companies and the investments in newly established property development companies jointly with certain third parties. None of these acquisitions was significant to the Group.

The negative goodwill was mainly resulted from the fact that the joint ventures partners intended to cooperate with a leading property developer in the PRC to resolve liquidity issues or bring in industry expertise.

As at 30 June 2017, certain borrowings of joint ventures were secured by the Group's certain interests in joint ventures with an aggregate carrying value of RMB428,145,000 (31 December 2016: RMB65,893,000), and certain borrowings of joint ventures were guaranteed by the Group (note 27).

NOTES TO THE INTERIM FINANCIAL INFORMATION



11 Investments in associates

	Six months ended	
	30 June 2017 RMB'000	30 June 2016 RMB'000
At 1 January	3,873,349	884,492
Additions	2,079,036	1,115,881
Share of post-tax profits/(losses)	125,869	(47,585)
— Gains arising from negative goodwill	274,137	—
— Share of results	(148,268)	(47,585)
At 30 June	6,078,254	1,952,788

Additions during the period mainly included the acquisitions of equity interests in property development companies and the investments in newly established property development companies together with third parties. None of these acquisitions was significant to the Group.

The negative goodwill was mainly resulted from the fact that other shareholders intended to cooperate with a leading property developer in the PRC to resolve liquidity issues or bring in industry expertise.

As at 30 June 2017, certain borrowings of associates were secured by the Group's certain interests in associates with an aggregate carrying value of RMB1,065,120,000 (31 December 2016: RMB55,000,000), and certain borrowings of associates were guaranteed by the Group (note 27).

12 Trade and other receivables

	30 June 2017 RMB'000	31 December 2016 RMB'000
Included in current assets		
Trade receivables — net (note (a))	16,805,150	13,673,129
Other receivables — net (note (b))	138,870,618	84,989,714
Loans to third parties	1,819,851	1,969,159
Prepayments for land (note (c))	15,524,628	6,820,629
Other prepayments	10,039,133	9,869,116
	183,059,380	117,321,747
Included in non-current assets		
Loans to third parties	705,500	55,500
Prepayments for acquisitions of property development companies	5,773,244	—
	6,478,744	55,500
	189,538,124	117,377,247

NOTES TO THE INTERIM FINANCIAL INFORMATION

12 Trade and other receivables *(Continued)*

(a) Details of trade receivables are as follows:

	30 June 2017 RMB'000	31 December 2016 RMB'000
Trade receivables	16,874,737	13,728,684
Less: allowance for impairment	(69,587)	(55,555)
Trade receivables — net	16,805,150	13,673,129

Trade receivables mainly arise from sales of properties. Property buyers are generally granted credit terms of 1 to 6 months. The ageing analysis of trade receivables based on revenue recognition date is as follows:

	30 June 2017 RMB'000	31 December 2016 RMB'000
Within 90 days	15,382,771	12,003,625
Over 90 days and within 180 days	679,786	714,221
Over 180 days and within 365 days	367,857	490,522
Over 365 days	444,323	520,316
	16,874,737	13,728,684

At 30 June 2017 and 31 December 2016, trade receivables were denominated in RMB.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30 June 2017, a provision of RMB69,587,000 was made against the gross amount of trade receivables (31 December 2016: RMB55,555,000).

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers. Trade receivables were collateralised by the titles of the properties sold.

NOTES TO THE INTERIM FINANCIAL INFORMATION



12 Trade and other receivables *(Continued)*

(b) Details of other receivables are as follows:

	30 June 2017 RMB'000	31 December 2016 RMB'000
Amounts due from related parties	33,683,845	17,568,947
Land auction and other deposits	30,389,977	14,292,195
Amounts due from customers for contract work	–	667,059
Others*	75,421,479	52,909,399
	139,495,301	85,437,600
Less: allowance for impairment	(624,683)	(447,886)
Other receivables — net	138,870,618	84,989,714

* These receivables mainly included current accounts due from the other shareholders of certain subsidiaries, joint ventures and associates of the Group for various payments on their behalf, which are interest-free, unsecured and repayable on demand.

(c) Prepayments for land are mainly related to acquisition of land use rights upon successfully bidding at the land auctions conducted by the PRC government. The relevant land use right certificates have not been obtained at 30 June 2017.

13 Cash and cash equivalents

	30 June 2017 RMB'000	31 December 2016 RMB'000
Cash at bank and in hand	109,453,571	78,434,654
Short-term bank deposits	10,676,000	18,056,233
	120,129,571	96,490,887
Less: restricted cash	(10,016,467)	(11,843,988)
	110,113,104	84,646,899

The short-term bank deposits are denominated in RMB and have terms ranging from 1 to 3 months. The effective interest rate of these deposits as at 30 June 2017 was 2.57% per annum (31 December 2016: 2.54% per annum).

In accordance with relevant government requirements, certain property development companies of the Group are required to place in designated bank accounts certain amount of pre-sale proceeds as guarantee deposits for the constructions of the related properties. The deposits can only be used for payments for construction costs of the relevant properties when approval from related government authority is obtained. Such guarantee deposits will be released after the completion of construction of the related properties.

NOTES TO THE INTERIM FINANCIAL INFORMATION

13 Cash and cash equivalents *(Continued)*

Cash and deposits are denominated in the following currencies:

	30 June 2017 RMB'000	31 December 2016 RMB'000
RMB	106,274,687	90,541,406
HKD	2,475,791	705,041
USD	7,055,966	1,552,046
RM	3,930,048	3,308,429
Other currencies	393,079	383,965
	120,129,571	96,490,887

The conversion of RMB and RM denominated balances into other currencies and the remittance of bank balances and cash out of the PRC and Malaysia are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC and Malaysian governments.

14 Financial assets at fair value through profit or loss

	30 June 2017 RMB'000	31 December 2016 RMB'000
Listed equity security — China (note (a))	397,570	1,188,096
Wealth management products (note (b))	8,119,700	6,133,140
	8,517,270	7,321,236

(a) It represented a 2.29% (31 December 2016: 9.16%) equity interest in Shenzhen Tiantu Investment Management Co., Ltd, which is mainly engaged in investment activities and is listed on the National Equities Exchange and Quotations in the PRC. The fair value of the investment at 30 June 2017 was calculated using the quoted market price.

(b) Wealth management products are mainly investments in financial instruments issued by banks. They have initial terms ranging from 30 to 365 days. The fair values of these investments approximated their carrying values as at 30 June 2017.

NOTES TO THE INTERIM FINANCIAL INFORMATION



15 Trade and other payables

	30 June 2017 RMB'000	31 December 2016 RMB'000
Trade payables (note (a))	98,706,501	76,074,204
Other payables (note (b))	107,527,739	61,422,617
Other taxes payable	23,409,699	8,211,358
Salaries payable	4,524,293	5,683,591
Accrued expenses	555,042	397,490
	234,723,274	151,789,260

(a) The ageing analysis of trade payables mainly based on the date of invoices was as follows:

	30 June 2017 RMB'000	31 December 2016 RMB'000
Within 90 days	83,787,038	63,517,129
Over 90 days and within 180 days	11,058,195	9,412,965
Over 180 days and within 365 days	2,537,659	1,876,190
Over 365 days	1,323,609	1,267,920
	98,706,501	76,074,204

(b) Other payables mainly included deposits from property purchasers and current accounts due to certain joint ventures, associates and other shareholders of certain subsidiaries, joint ventures and associates of the Group and outstanding considerations to acquire certain subsidiaries, joint ventures and associates. These amounts are interest-free, unsecured and repayable on demand.

NOTES TO THE INTERIM FINANCIAL INFORMATION

16 Senior notes

	Six months ended	
	30 June 2017 RMB'000	30 June 2016 RMB'000
As at 1 January	29,264,448	20,878,179
Interest expenses	1,017,270	813,081
Coupon paid	(1,000,793)	(783,339)
Exchange differences	(711,031)	440,491
	28,569,894	21,348,412
Less: current portion included in current liabilities	(468,929)	–
Included in non-current liabilities	28,100,965	21,348,412

- (a) Except for the senior notes amounting to USD250,000,000, all senior notes are listed on the Singapore Exchange Securities Trading Limited.
- (b) Except for the senior notes amounting to USD250,000,000 that will mature in year 2019, the Company has call options to redeem all senior notes in whole or in part prior to their maturity at the redemption price as defined in the indenture agreements of these senior notes. Apart from the above early redemption option, the holders of the senior notes in an aggregated principal amount of USD350,000,000 that will mature in year 2026 have a put option to request the Company to repurchase their notes on 15 December 2021 at the price equal to 100% of the principal amounts of their notes. The directors consider that the fair values of these call and put options were insignificant on initial recognition and at 30 June 2017 and 31 December 2016.
- (c) All of the Group's senior notes are subject to the fulfilment of covenants relating to certain of the Group's debt servicing financial indicators. The Group regularly monitors its compliance with these covenants. As at 30 June 2017, none of the covenants had been breached.

NOTES TO THE INTERIM FINANCIAL INFORMATION



17 Corporate bonds

	Six months ended	
	30 June 2017 RMB'000	30 June 2016 RMB'000
As at 1 January	37,709,624	15,258,499
Additions	–	7,960,000
Interest expenses	895,349	483,159
Coupon paid	(372,000)	–
Exchange differences	2,894	15,860
	38,235,867	23,717,518
Less: current portion included in current liabilities	(13,311,424)	–
Included in non-current liabilities	24,924,443	23,717,518

Certain corporate bonds issued by the Group contain a liability component and coupon rate adjustment options. Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The directors consider that the fair values of the above coupon rate adjustment options were insignificant on initial recognition and at 30 June 2017 and 31 December 2016.

NOTES TO THE INTERIM FINANCIAL INFORMATION

18 Bank and other borrowings

	30 June 2017 RMB'000	31 December 2016 RMB'000
Included in non-current liabilities:		
– secured	25,945,717	21,456,699
– unsecured	51,522,550	30,120,672
Less: current portion	(15,332,278)	(12,867,292)
	62,135,989	38,710,079
Included in current liabilities:		
– secured	4,534,720	7,433,863
– unsecured	6,980,840	10,211,570
Current portion of non-current liabilities	15,332,278	12,867,292
	26,847,838	30,512,725

The Group's borrowings as at 30 June 2017 of RMB25,777,302,000 (31 December 2016: RMB26,802,562,000), were jointly secured by certain properties, land use rights and equipment of the Group with total carrying values of RMB24,871,332,000 (31 December 2016: RMB24,495,397,000). The Group's borrowings as at 30 June 2017 of RMB4,703,135,000 (31 December 2016: RMB2,088,000,000) were guaranteed by the Company and secured by the Group's equity interests in certain subsidiaries.

The annual weighted average effective interest rate of bank and other borrowings is 5.81% per annum for the six months ended 30 June 2017 (year ended 31 December 2016: 6.01% per annum).

The carrying amounts of the bank and other borrowings approximated their fair values as these borrowings are mainly floating-rate borrowings.

The carrying amounts of bank and other borrowings are denominated in the following currencies:

	30 June 2017 RMB'000	31 December 2016 RMB'000
RMB	65,536,300	54,768,769
HKD	6,687,314	3,932,713
USD	14,189,431	8,190,914
RM	1,374,577	1,531,550
Other	1,196,205	798,858
	88,983,827	69,222,804

Certain of the Group's bank and other borrowings are subject to the fulfilment of covenants relating to certain of the Group's debt servicing financial indicators. The Group regularly monitors its compliance with these covenants. As at 30 June 2017, none of these covenants had been breached.

NOTES TO THE INTERIM FINANCIAL INFORMATION



19 Share capital and premium

	Number of ordinary shares	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Treasury shares RMB'000	Total RMB'000
Authorised						
At 1 January 2016, 31 December 2016 and 30 June 2017, HKD0.10 per share	100,000,000,000	10,000,000				
Issued and fully paid:						
At 1 January 2016	22,588,019,782	2,258,802	2,116,865	27,475,982	(380,236)	29,212,611
Buy-back of shares	-	-	-	-	(3,535,394)	(3,535,394)
Cancellation of shares	(981,277,000)	(98,128)	(84,486)	(3,046,223)	3,130,709	-
At 31 December 2016 and 1 January 2017	21,606,742,782	2,160,674	2,032,379	24,429,759	(784,921)	25,677,217
Buy-back of shares (note (a))	-	-	-	-	(640,985)	(640,985)
Cancellation of shares	(266,121,000)	(26,612)	(23,690)	(1,021,980)	1,045,670	-
At 30 June 2017	21,340,621,782	2,134,062	2,008,689	23,407,779	(380,236)	25,036,232

(a) Buy-back of shares

The Group bought back a total of 161,345,000 of the Company's shares during the six months ended 30 June 2017. The total consideration paid to buy back these shares was RMB640,985,000, which has been deducted from equity attributable to the owners of the Company.

NOTES TO THE INTERIM FINANCIAL INFORMATION

20 Other reserves and retained earnings

	Other reserves												
	Merger reserve	Statutory reserve	Share option reserve	Financial assets at fair value		Translation reserve	Revaluation reserve	Cash flow hedge reserve	Deferred costs of hedging reserve	Others	Total	Retained earnings	Total
				through other comprehensive income reserve	reserve								
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2016	(149,801)	3,859,814	86,446	13,415	(670,517)	1,464,237	-	-	(461,455)	3,942,139	31,808,028	35,750,167	
Profit for the year	-	-	-	-	-	-	-	-	-	-	11,516,815	11,516,815	
Transfer to statutory reserves	-	352,697	-	-	-	-	-	-	-	352,697	(352,697)	-	
2015 final and 2016 interim dividends	-	-	-	-	-	-	-	-	-	-	(3,005,040)	(3,005,040)	
Capital injection from													
non-controlling interests	-	-	-	-	-	-	-	-	86,400	86,400	-	86,400	
Employee share scheme													
- Value of employee service	-	-	44,629	-	-	-	-	-	38,205	82,834	-	82,834	
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	45,921	-	-	-	-	-	45,921	-	45,921	
Changes in ownership interests													
in subsidiaries without change of control	-	-	-	-	-	-	-	-	(48,410)	(48,410)	-	(48,410)	
Currency translation differences	-	-	-	-	228,380	-	-	-	-	228,380	-	228,380	
Deferred gains on cash flow hedges, net of tax	-	-	-	-	-	-	89,982	-	-	89,982	-	89,982	
Deferred costs of hedging, net of tax	-	-	-	-	-	-	-	(295,901)	-	(295,901)	-	(295,901)	
Balance at 31 December 2016	(149,801)	4,212,511	131,075	59,336	(642,137)	1,464,237	89,982	(295,901)	(385,260)	4,484,042	39,967,106	44,451,148	
Balance at 1 January 2017	(149,801)	4,212,511	131,075	59,336	(642,137)	1,464,237	89,982	(295,901)	(385,260)	4,484,042	39,967,106	44,451,148	
Adjustment on adoption of HKFRS 15 (note 4)	-	-	-	-	-	-	-	-	-	-	3,152,346	3,152,346	
Restated balance at 1 January 2017	(149,801)	4,212,511	131,075	59,336	(642,137)	1,464,237	89,982	(295,901)	(385,260)	4,484,042	43,119,452	47,603,494	
Profit for the period	-	-	-	-	-	-	-	-	-	-	7,501,432	7,501,432	
2016 final dividends	-	-	-	-	-	-	-	-	-	-	(2,176,743)	(2,176,743)	
Employee share scheme													
- Value of employee service	-	-	139,991	-	-	-	-	-	-	139,991	-	139,991	
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	32,474	-	-	-	-	-	32,474	-	32,474	
Changes in ownership interests													
in subsidiaries without change of control	-	-	-	-	-	-	-	-	21,815	21,815	-	21,815	
Currency translation differences	-	-	-	-	(113,625)	-	-	-	-	(113,625)	-	(113,625)	
Deferred losses on cash flow hedges, net of tax	-	-	-	-	-	-	(59,604)	-	-	(59,604)	-	(59,604)	
Deferred gains of hedging, net of tax	-	-	-	-	-	-	-	416,268	-	416,268	-	416,268	
Balance at 30 June 2017	(149,801)	4,212,511	271,066	91,810	(755,762)	1,464,237	30,378	120,367	(363,445)	4,921,361	48,444,141	53,365,502	

NOTES TO THE INTERIM FINANCIAL INFORMATION



21 Other income and gains – net

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Other income		
– Management and consulting service income	199,535	–
– Forfeiture of advances received from customers	30,752	47,520
– Government grants	12,642	86,702
	242,929	134,222
Other gains/(losses)		
– Gains arising from negative goodwill (note 29)	1,263,470	22,430
– Fair value gains on financial assets at fair value through profit or loss	25,474	22,014
– Gains/(losses) on disposal of property, plant and equipment	9,254	(7,643)
– Changes in fair value of derivative financial instruments	(168,221)	(42,792)
– Others	320,060	135,708
	1,450,037	129,717
Total other income and gains – net	1,692,966	263,939

22 Expenses by nature

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Advertising costs	744,096	555,039
Amortisation of intangible assets	10,057	6,380
Business taxes and other levies	1,676,729	3,209,579
Costs of properties recognised in profit or loss	60,004,792	41,549,555
Amorisation of incremental costs for obtaining contracts	180,445	–
Donations	470,230	80,352
Depreciation	387,619	383,766
Employee benefit expenses	3,316,569	2,139,444
Land use rights amortisation	34,719	31,694
Rental expenses	234,524	113,367
Others	957,072	1,093,918
Total cost of sales, selling and marketing costs and administrative expenses	68,016,852	49,163,094

NOTES TO THE INTERIM FINANCIAL INFORMATION

23 Finance income – net

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Finance income:		
– Interest income on short-term bank deposits	405,540	269,903
– Net foreign exchange gains on financing activities	424,955	–
	830,495	269,903
Finance costs:		
– Interest expenses:		
– Bank and other borrowings	(2,301,635)	(1,850,511)
– Senior notes (note 16)	(1,017,270)	(813,081)
– Corporate bonds (note 17)	(895,349)	(483,159)
– Receipts under securitisation arrangements	(155,325)	–
	(4,369,579)	(3,146,751)
Less: amounts capitalised on qualifying assets	4,369,579	3,146,751
	–	–
– Net foreign exchange losses on financing activities	–	(380,771)
Less: amounts capitalised on qualifying assets	–	117,274
	–	(263,497)
Finance income – net	830,495	6,406

NOTES TO THE INTERIM FINANCIAL INFORMATION



24 Income tax expenses

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Current income tax		
– Corporate income tax	2,663,747	2,131,312
– Land appreciation tax (note (c))	1,504,896	827,405
	4,168,643	2,958,717
Deferred income tax		
– Corporate income tax	(276,068)	(27,868)
– Withholding income tax on profit to be distributed in future (note (d))	144,000	73,500
	(132,068)	45,632
	4,036,575	3,004,349

- (a) Hong Kong profits tax has been provided at the rate of 16.5% (2016:16.5%) on the estimated assessable profits of the Group's subsidiaries in Hong Kong.
- (b) PRC corporate income tax has been provided at corporate income tax rate of 25%.
- (c) PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.
- (d) Withholding income tax is provided on the dividends to be distributed by the PRC subsidiaries of the Group. The relevant overseas holding companies have obtained endorsement from various PRC tax bureaus to enjoy the treaty benefit of 5% withholding income tax rate on dividends received from the PRC subsidiaries of the Group. Accordingly, withholding income tax has been provided at 5% of the profit expected to be distributed by the PRC subsidiaries of the Group.

25 Dividend

On 22 August 2017, the Board of Directors declared an interim dividend of RMB15.02 cents per share in the form of cash for the six months ended 30 June 2017, totalling RMB3,205,901,000 (2016 interim dividend: RMB6.92 cents per share, totalling RMB1,556,610,000). This interim dividend has not been recognised as liabilities in this interim financial information.

The final dividend in respect of 2016 of RMB10.20 cents (equivalent to HKD11.56 cents) per share, totalling RMB2,176,743,000 which has taken into account the effect of the buy-back of the Company's shares, has been approved in the annual general meeting of the Company on 18 May 2017 and paid in cash in July 2017.

NOTES TO THE INTERIM FINANCIAL INFORMATION

26 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Group and held as treasury shares (note 19).

	Six months ended 30 June	
	2017	2016
Profit attributable to owners of the Company (RMB'000)	7,501,432	5,389,583
Weighted average number of ordinary shares in issue (thousands)	21,461,702	22,289,163
Earnings per share — Basic (RMB cents per share)	34.95	24.18

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had two categories of dilutive potential ordinary shares: share options and awarded shares. For the share options and awarded shares, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and awarded shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and awarded shares.

	Six months ended 30 June	
	2017	2016
Profit attributable to owners of the Company (RMB'000)	7,501,432	5,389,583
Weighted average number of ordinary shares in issue (thousands)	21,461,702	22,289,163
Adjustments — share options and awarded shares (thousands)	42,138	12,154
Weighted average number of ordinary shares for diluted earnings per share (thousands)	21,503,840	22,301,317
Earnings per share — Diluted (RMB cents per share)	34.88	24.17

NOTES TO THE INTERIM FINANCIAL INFORMATION



27 Guarantees

	30 June 2017 RMB'000	31 December 2016 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers (note (a))	219,761,073	127,502,653
Guarantees to joint ventures and associates in respect of borrowings (note (b))	22,325,464	18,617,370
	242,086,537	146,120,023

Note:

- (a) It represents the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. The amount will be discharged upon earlier of (i) issuance of the real estate ownership certificate which are generally available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loan by the purchasers of properties.
- (b) These represented the maximum exposure of the guarantees provided for the borrowings of certain joint ventures and associates (note 30(b)).

28 Disposal of subsidiaries

During the period, the Group disposed of interests in a number of subsidiaries to certain third parties. Details of the disposal are as follows:

	RMB'000
Total disposal considerations	
— Cash received	21,410
— Cash consideration outstanding and included in other receivables	420,114
— Fair value of investments in joint ventures and associates held after disposal of certain subsidiaries	775,087
	1,216,611
Total net assets of subsidiaries disposed of	1,527,193
Non-controlling interests disposed of	(244,746)
	1,282,447
Losses on disposal	(65,836)
Cash proceeds from disposal, net of cash disposed of	
— Cash consideration received	21,410
— Less: cash and cash equivalents in the subsidiaries disposed of	(209,440)
Net cash outflow on disposal	(188,030)

NOTES TO THE INTERIM FINANCIAL INFORMATION

29 Business combinations

Business combinations during the period mainly included the acquisitions of property development companies and acquisition of additional interests in joint ventures and associates. The directors of the Company consider that none of these subsidiaries acquired during the period was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition date was not disclosed.

The acquired companies' principal activities are property development and management and construction in the PRC. The financial information of these acquired companies on the acquisition date is listed as follows:

(a) Business combinations with negative goodwill

	RMB'000
Total purchase considerations	
– Cash paid	6,415,362
– Cash consideration outstanding and included in other payables	629,514
– Fair value of investments in joint ventures and associates held before business combinations	1,034,487
	8,079,363
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	2,896,619
Property, plant and equipment	107,136
Properties under development and completed properties held for sale	32,030,390
Trade and other receivables	13,436,207
Deferred income tax assets	14,539
Bank and other borrowings	(2,572,775)
Trade and other payables	(14,367,016)
Contract liabilities	(16,875,333)
Current income tax liabilities	(1,175,844)
Deferred income tax liabilities	(2,346,592)
	11,147,331
Total identifiable net assets	11,147,331
Non-controlling interests	(1,804,498)
Negative goodwill	(1,263,470)
	8,079,363
Outflow of cash to acquire business, net of cash acquired	
– cash considerations	6,415,362
– cash and cash equivalents in the subsidiaries acquired	(2,896,619)
	3,518,743
Cash outflow on acquisitions	3,518,743

Gains arising from negative goodwill was mainly due to the fact that the sellers had the intention to exit from their investments in these acquired businesses due to various operational reasons or other shareholders intended to cooperate with a leading property developer in the PRC to resolve liquidity issues or bring in industry expertise.

NOTES TO THE INTERIM FINANCIAL INFORMATION



29 Business combinations *(Continued)*

(b) Business combinations with goodwill

	RMB'000
Total purchase considerations	
– Cash paid	226,232
– Outstanding and included in other payables	194,838
	421,070
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	1,685,879
Property, plant and equipment	713
Properties under development and completed properties held for sale	2,653,832
Trade and other receivables	1,445,348
Bank and other borrowings	(440,000)
Trade and other payables	(596,317)
Current income tax liabilities	(233,199)
Deferred income tax liabilities	(155,668)
Contract liabilities	(4,005,948)
	354,640
Total identifiable net assets	354,640
Non-controlling interests	(1,459)
Goodwill	67,889
	421,070
Inflow of cash to acquire business, net of cash acquired	
– cash considerations	226,232
– cash and cash equivalents in the subsidiaries acquired	(1,685,879)
	(1,459,647)

The goodwill arose from the acquisition is mainly attributable to economies of scales expected from combining the operations of the Group and the acquired entities.

- (c) The acquired businesses contributed total revenues of RMB2,511,789,000 and net profit of RMB395,450,000 to the Group for the period from their respective acquisition dates to 30 June 2017. Has these companies been consolidated from 1 January 2017, the consolidated statement of comprehensive income would show pro-forma revenue of RMB80,435,013,000 and profit for the period of RMB8,605,681,000.

NOTES TO THE INTERIM FINANCIAL INFORMATION

30 Related party transactions

(a) Ultimate Controlling Shareholder

The Company is ultimately controlled by Ms. Yang Huiyan (the "Ultimate Controlling Shareholder").

(b) Transactions with related parties

Saved as disclosed in other notes above, the Group had the following significant transactions with related parties during the period:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
(i) Entities controlled by the Ultimate Controlling Shareholder		
Purchase of design service	1,097,963	80,140
Other transactions	4,079	1,825
	1,102,042	81,965
(ii) Entities controlled by certain directors and/or their close family members		
Construction and decoration service income	762	54,242
Other transactions	1,013	1,066
	1,775	55,308
(iii) Associates:		
Providing guarantee in respect of borrowings	8,704,295	3,841,060
Construction and decoration service income	341,670	320,365
Other transactions	26,011	2,634
	9,071,976	4,164,059
(iv) Joint ventures:		
Providing guarantee in respect of borrowings	13,621,169	3,324,200
Construction and decoration service income	694,617	229,750
Other transactions	39,998	3,694
	14,355,784	3,557,644

The prices for the above design service fees, construction and decoration service fees and other transactions were determined in accordance with the terms of the underlying agreements.

NOTES TO THE INTERIM FINANCIAL INFORMATION



30 Related party transactions *(Continued)*

(c) Key management compensation

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Salaries, bonus, share-based compensation expenses and other employee benefits	156,633	56,759

(d) Balances with related parties

As at 30 June 2017, the Group had the following significant balances with its related parties:

	30 June 2017 RMB'000	31 December 2016 RMB'000
(i) Entities controlled by the Ultimate Controlling Shareholder		
Trade receivables	18,676	17,705
Amounts due from customers of contract work	–	19,568
Contract assets	19,568	–
Other receivables	229,781	56,144
Prepayments	23,038	48,497
Trade and other payables	540,098	271,479
(ii) Entities controlled by certain directors and/or their close family members		
Trade receivables	226,306	200,310
Amounts due from customers for contract work	–	50,251
Contract assets	1,871	–
Other receivables	154,559	15,934
Prepayments	1,049	–
Trade and other payables	148,325	76,427
(iii) Associates:		
Trade receivables	133,440	258,559
Amounts due from customers for contract work	–	158,544
Contract assets	381,661	–
Other receivables	12,981,811	8,928,396
Prepayments	385	381
Trade and other payables	17,473,759	12,910,341
(iv) Joint ventures:		
Trade receivables	209,549	188,169
Amounts due from customers for contract work	–	169,608
Contract assets	380,805	–
Other receivables	20,317,694	8,568,473
Trade and other payables	27,603,250	14,262,739

The above balances due from/to related parties are unsecured, interest-free and to be settled according to the contract terms.

NOTES TO THE INTERIM FINANCIAL INFORMATION

31 Subsequent events

On 25 July 2017 and 16 August 2017, the Company issued senior notes in an aggregate principal amount of USD600,000,000 and USD100,000,000, respectively. These notes carry interests at the rate of 4.75% per annum, payable semi-annually on 25 January and 25 July in arrears, and will mature on 25 July 2022, unless redeemed earlier.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of Country Garden Holdings Company Limited

(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Country Garden Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 124 to 258, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Assessment of net realisable value of properties under development and completed properties held for sale
- Impairment assessment of hotel non-financial assets

Key Audit Matter

Assessment of net realisable value of properties under development and completed properties held for sale

Refer to note 5 'Critical accounting estimates and judgements', note 11 'Properties under development' and note 14 'Completed properties held for sale' to the consolidated financial statements.

The total of properties under development ("PUD") and completed properties held for sale ("PHS") amounted to approximately RMB299,610,880,000 as at 31 December 2016, accounting for approximately 51% of the Group's total assets. The carrying amounts of PUD and PHS are stated at the lower of cost and net realisable value ("NRV").

Determination of NRV of PUD and PHS involved critical accounting estimates on the selling price, variable selling expenses and, for PUD, the costs to completion. Given the significant balance of PUD and PHS and the involvement of critical accounting estimates, the assessment of NRV of these properties is considered a key audit matter.

How our audit addressed the Key Audit Matter

We obtained management's NRV assessment on PUD and PHS and performed audit procedures as follows:

- (i) We compared the relevant PUD and PHS balances against the result of management's NRV assessment made in the prior year to consider, with hindsight, whether management's NRV assessment and process had been subject to management bias.
- (ii) We challenged management's key estimates for:
 - Selling price which is estimated based on the prevailing market conditions. We compared the estimated selling price to the recent market transactions, making reference to the Group's selling price of the same project's pre-sale units or the prevailing market price of comparable properties with similar size, usage and location.
 - Variable selling expenses are estimated based on certain percentage of selling price. We compared the above estimated percentage with the actual average selling expenses to revenue ratio of the Group in recent years.
 - Estimated costs to completion for PUD. We reconciled the estimated costs to completion to budgets approved by management and examined, on a sample basis, the construction contracts or compared anticipated completion costs to the actual costs of similar type of completed properties of the Group.

We found that the key estimates used in the assessment of NRV of PUD and PHS were supportable by available evidence.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

Impairment assessment of hotel non-financial assets

Refer to note 5 'Critical accounting estimates and judgements' to the consolidated financial statements.

The Group's hotel non-financial assets including property, plant and equipment and land use rights amounted to approximately RMB12,858,675,000 as at 31 December 2016, accounting for approximately 2% of the Group's total assets. Certain hotels were still or expected to be loss-making or did not perform as expected after the start-up period which may present impairment indicators for the non-financial assets of those hotels.

Management has assessed the recoverable amounts of the non-financial assets of the hotels with impairment indicators. The recoverable amounts are dependent on the value-in-use calculations which are based on future discounted cash flows involving significant estimates and judgements on the key assumptions including occupancy rates, room rates, revenue growth rate after the start-up period, and discount rate.

Based on the assessment performed, management concluded that there was no material impairment required for the hotel non-financial assets as at 31 December 2016.

We considered the impairment assessment of hotel non-financial assets as a key audit matter because significant estimates and judgements are required on the key assumptions made in the impairment assessment.

How our audit addressed the Key Audit Matter

We obtained management's impairment assessment on the non-financial assets of the hotels with impairment indicator and performed audit procedures as follows:

- (i) We compared the carrying amounts of the relevant hotel non-financial assets against the result of management's impairment assessment made in the prior year to consider, with hindsight, whether management's impairment assessment and process had been subject to management bias.
- (ii) We challenged management's key assumptions used in the value-in-use forecasts including:
 - Occupancy rates and room rates — We performed research on the statistics of occupancy rates and average room rates from third-party industry analysis database and compared the forecasted rates to the rates of similar star-ranking hotels in the nearby location and for the same period.
 - Revenue growth rate after the start-up period - We performed research on the weighted-average revenue growth rate of hotels in the PRC in recent years from the national statistics bureau and compared the forecasted revenue growth rate to the market data. We challenged the adequacy of the sensitivity analysis performed by management on revenue growth rate to assess possible outcome on impairment.
 - Discount rate — we developed an independent expectation on the range of discount rates using market data.

We found the key assumptions used in the value-in-use calculations for the purposes of impairment assessment of the hotel non-financial assets were supportable by available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheung Siu Cheong.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December	
		2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	7	20,877,029	20,019,841
Investment properties	8	9,773,430	8,686,295
Intangible assets	9	239,367	121,539
Land use rights	10	2,536,458	2,052,170
Properties under development	11	52,342,374	52,727,068
Investments in joint ventures	12(b)	7,311,153	803,934
Investments in associates	12(c)	3,873,349	884,492
Financial assets at fair value through other comprehensive income	13	870,734	–
Available-for-sale financial assets	4(c)	–	214,998
Derivative financial instruments	22	1,034,387	–
Trade and other receivables	16	55,500	642,950
Deferred income tax assets	30	7,822,313	3,786,942
		106,736,094	89,940,229
Current assets			
Properties under development	11	216,383,252	135,107,046
Completed properties held for sale	14	30,885,254	34,114,127
Inventories	15	2,203,727	1,978,437
Trade and other receivables	16	117,321,747	42,242,116
Prepaid taxes		14,042,259	9,490,355
Restricted cash	17	11,843,988	11,637,126
Cash and cash equivalents	18	84,646,899	36,240,752
Financial assets at fair value through profit or loss	19	7,321,236	1,188,096
Derivative financial instruments	22	187,145	18,043
		484,835,507	272,016,098
Current liabilities			
Advanced proceeds received from customers		192,408,932	96,516,079
Trade and other payables	20	151,789,260	73,385,200
Receipts under securitisation arrangements	21	7,043,440	–
Current income tax liabilities		15,310,412	8,905,412
Corporate bonds	24	8,207,477	–
Bank and other borrowings	25	30,512,725	22,778,038
Derivative financial instruments	22	41,762	10,198
		405,314,008	201,594,927
Net current assets		79,521,499	70,421,171
Total assets less current liabilities		186,257,593	160,361,400

	Note	As at 31 December	
		2016 RMB'000	2015 RMB'000
Non-current liabilities			
Senior notes	23	29,264,448	20,878,179
Corporate bonds	24	29,502,147	15,258,499
Bank and other borrowings	25	38,710,079	30,829,079
Deferred government grants		237,445	239,520
Deferred income tax liabilities	30	6,928,304	3,815,717
		104,642,423	71,020,994
Equity attributable to owners of the Company			
Share capital and premium	26	25,677,217	29,212,611
Other reserves	28	4,484,042	3,942,139
Retained earnings	28	39,967,106	32,135,960
		70,128,365	65,290,710
Non-controlling interests			
Perpetual capital securities	29	–	19,528,000
Other non-controlling interests		11,486,805	4,521,696
		11,486,805	24,049,696
Total equity		81,615,170	89,340,406
Total equity and non-current liabilities		186,257,593	160,361,400

The notes on pages 133 to 258 are an integral part of these consolidated financial statements.

The financial statements on pages 124 to 258 were approved by the Board of Directors on 22 March 2017 and were signed on its behalf.

MO Bin
Director

YANG Ziying
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2016 RMB'000	2015 RMB'000
Revenue	6	153,086,977	113,222,640
Cost of sales	32	(120,850,891)	(90,359,341)
Gross profit		32,236,086	22,863,299
Other income and gains — net	31	1,530,465	423,985
Gains arising from changes in fair value of and transfer to investment properties	8	711,604	809,812
Selling and marketing costs	32	(7,383,618)	(4,688,695)
Administrative expenses	32	(4,970,364)	(3,230,024)
Operating profit		22,124,173	16,178,377
Finance income	34	532,870	221,079
Finance costs	34	(1,628,175)	(1,510,589)
Finance costs — net	34	(1,095,305)	(1,289,510)
Share of results of joint ventures and associates	12(b), 12(c)	361,704	(55,758)
Profit before income tax		21,390,572	14,833,109
Income tax expenses	35	(7,727,349)	(5,121,428)
Profit for the year		13,663,223	9,711,681
Profit attributable to:			
— Owners of the Company		11,516,815	9,276,485
— Non-controlling interests			
Perpetual capital securities		1,409,534	356,104
Other non-controlling interests		736,874	79,092
		2,146,408	435,196
		13,663,223	9,711,681

	Note	Year ended 31 December	
		2016 RMB'000	2015 RMB'000
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
— Change in fair value of financial assets at fair value through other comprehensive income, net of tax	28	45,921	—
Items that may be reclassified to profit or loss:			
— Change in fair value of available-for-sale financial assets, net of tax	28	—	4,748
— Deferred gains on cash flow hedges, net of tax	22	89,982	—
— Deferred costs of hedging, net of tax	22	(295,901)	—
— Currency translation differences		299,455	(899,069)
Total other comprehensive income/(loss) for the year, net of tax		139,457	(894,321)
Total comprehensive income for the year		13,802,680	8,817,360
Total comprehensive income attributable to:			
— Owners of the Company		11,585,197	8,453,384
— Non-controlling interests			
Perpetual capital securities		1,409,534	356,104
Other non-controlling interests		807,949	7,872
		2,217,483	363,976
		13,802,680	8,817,360
Earnings per share attributable to owners of the Company (expressed in RMB cents per share)			
Basic	38	52.17	42.54
Diluted	38	52.13	42.53

The notes on pages 133 to 258 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				Non-controlling interests			
	Share capital and premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Perpetual capital securities RMB'000	Others RMB'000	Total RMB'000	Total Equity RMB'000
Balance at 31 December 2015	29,212,611	3,942,139	32,135,960	65,290,710	19,528,000	4,521,696	24,049,696	89,340,406
Adjustment on adoption of HKFRS 9, net of tax (note 3(i))	-	-	(327,932)	(327,932)	-	-	-	(327,932)
Restated total equity at 1 January 2016	29,212,611	3,942,139	31,808,028	64,962,778	19,528,000	4,521,696	24,049,696	89,012,474
Comprehensive income								
Profit for the year	-	-	11,516,815	11,516,815	1,409,534	736,874	2,146,408	13,663,223
Other comprehensive income								
– Change in fair value of financial assets at fair value through other comprehensive income, net of tax	-	45,921	-	45,921	-	-	-	45,921
– Deferred gains on cash flow hedges, net of tax (note 22(d))	-	89,982	-	89,982	-	-	-	89,982
– Deferred costs of hedging, net of tax (note 22(d))	-	(295,901)	-	(295,901)	-	-	-	(295,901)
– Currency translation differences	-	228,380	-	228,380	-	71,075	71,075	299,455
Total comprehensive income for the year	-	68,382	11,516,815	11,585,197	1,409,534	807,949	2,217,483	13,802,680

	Attributable to owners of the Company				Non-controlling interests			
	Share capital and premium	Other reserves	Retained earnings	Total	Perpetual capital securities	Others	Total	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Transactions with owners in their capacity as owners:								
Capital injections	-	86,400	-	86,400	-	3,298,877	3,298,877	3,385,277
Redemption of perpetual capital securities	-	-	-	-	(19,528,000)	-	(19,528,000)	(19,528,000)
Transfer to statutory reserves	-	352,697	(352,697)	-	-	-	-	-
Dividends and distributions	-	-	(3,005,040)	(3,005,040)	(1,409,534)	(162,931)	(1,572,465)	(4,577,505)
Buy-back of shares (note 26)	(3,535,394)	-	-	(3,535,394)	-	-	-	(3,535,394)
Employee share schemes:								
– value of employee services (note 27 and 33)	-	82,834	-	82,834	-	-	-	82,834
Non-controlling interests arising from business combination (note 43)	-	-	-	-	-	2,888,606	2,888,606	2,888,606
Disposal of subsidiaries (note 42)	-	-	-	-	-	(11,653)	(11,653)	(11,653)
Changes in ownership interests in subsidiaries without change of control (note 41)	-	(48,410)	-	(48,410)	-	144,261	144,261	95,851
Total transactions with owners	(3,535,394)	473,521	(3,357,737)	(6,419,610)	(20,937,534)	6,157,160	(14,780,374)	(21,199,984)
Balance at 31 December 2016	25,677,217	4,484,042	39,967,106	70,128,365	-	11,486,805	11,486,805	81,615,170

The notes on pages 133 to 258 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				Non-controlling interests			
	Share capital and premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Perpetual capital securities RMB'000	Others RMB'000	Total RMB'000	Total Equity RMB'000
Balance at 1 January 2015	24,262,047	4,243,448	28,180,710	56,686,205	3,090,000	2,666,221	5,756,221	62,442,426
Comprehensive income								
Profit for the year	-	-	9,276,485	9,276,485	356,104	79,092	435,196	9,711,681
Other comprehensive income								
– Change in fair value of available-for-sale financial assets, net of tax	-	4,748	-	4,748	-	-	-	4,748
– Currency translation differences	-	(827,849)	-	(827,849)	-	(71,220)	(71,220)	(899,069)
Total comprehensive income for the year	-	(823,101)	9,276,485	8,453,384	356,104	7,872	363,976	8,817,360
Transactions with owners in their capacity as owners:								
Capital injections	-	-	-	-	16,838,000	1,155,383	17,993,383	17,993,383
Redemption of perpetual capital securities	-	-	-	-	(400,000)	-	(400,000)	(400,000)
Transfer to statutory reserves	-	547,660	(547,660)	-	-	-	-	-
Dividends and distributions	-	-	(4,773,575)	(4,773,575)	(356,104)	(50)	(356,154)	(5,129,729)
Issue of shares (note 26)	4,950,564	-	-	4,950,564	-	-	-	4,950,564
Employee share schemes:								
– value of employee services (note 27 and 33)	-	30,111	-	30,111	-	-	-	30,111
Non-controlling interests arising from business combination	-	-	-	-	-	740,569	740,569	740,569
Changes in ownership interests in subsidiaries without change of control	-	(55,979)	-	(55,979)	-	(48,299)	(48,299)	(104,278)
Total transactions with owners	4,950,564	521,792	(5,321,235)	151,121	16,081,896	1,847,603	17,929,499	18,080,620
Balance at 31 December 2015	29,212,611	3,942,139	32,135,960	65,290,710	19,528,000	4,521,696	24,049,696	89,340,406

The notes on pages 133 to 258 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December	
		2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	37	57,303,143	(6,488,588)
Income tax paid		(9,919,363)	(6,144,944)
Interest paid		(6,121,022)	(4,956,400)
Net cash generated from/(used in) operating activities		41,262,758	(17,589,932)
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired	43	(3,122,462)	(1,637,726)
Proceeds from disposal of subsidiaries, net of cash disposed of	42	(595,296)	34,837
Purchases of property, plant and equipment		(1,907,034)	(2,197,538)
Proceeds from disposal of investment properties	37	–	156,401
Payments for investment properties		(107,035)	(344,564)
Purchases of intangible assets		(19,321)	(12,467)
Purchases of land use rights		(545,019)	(74,797)
Investments in joint ventures		(5,295,417)	(712,771)
Investments in associates		(1,659,452)	(399,181)
Repayments from loans to related parties		775,971	–
Loans advanced to related and third parties		(2,046,832)	(775,971)
Dividend income from available-for-sale financial assets		–	9,560
Payments for settlement of derivative financial instruments		34,419	–
Proceeds from disposal of property, plant and equipment	37	232,365	255,447
Payments for financial assets at fair value through other comprehensive income	13	(601,962)	–
Payments for financial assets at fair value through profit or loss	19	(6,133,140)	(1,188,096)
Interest received	34	532,870	221,079
Net cash used in investing activities		(20,457,345)	(6,665,787)

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December	
		2016 RMB'000	2015 RMB'000
Cash flows from financing activities			
Capital injections from non-controlling interests		3,385,277	17,993,383
Issue of new shares	26	–	4,950,564
Buy-back of shares	26	(3,535,394)	–
Proceeds from disposal of interests in subsidiaries without loss of control	41	12,000	16,722
Payments for acquisition of additional interests in subsidiaries	41	(244,671)	(127,000)
Issue of corporate bonds	24	21,901,130	15,111,799
Redemption of perpetual capital securities	29	(19,528,000)	(400,000)
Redemption and repayment of senior notes		–	(8,325,469)
Issue of senior notes	23	6,654,357	5,483,516
Proceeds received under securitisation arrangements	21	7,043,440	–
Payments for senior notes covenant modification fees		–	(51,166)
Proceeds from bank and other borrowings		36,535,512	32,895,610
Repayments of bank and other borrowings		(20,507,403)	(20,779,394)
Dividends paid to owners of the Company	36	(3,005,040)	(4,773,575)
Distribution to holders of perpetual capital instruments		(1,192,419)	(325,372)
Dividends paid to other non-controlling interests		(64,631)	(50)
Net cash generated from financing activities		27,454,158	41,669,568
Net increase in cash and cash equivalents		48,259,571	17,413,849
Cash and cash equivalents at the beginning of the year		36,240,752	18,760,590
Exchange gains on cash and cash equivalents		146,576	66,313
Cash and cash equivalents at the end of the year	18	84,646,899	36,240,752

The notes on pages 133 to 258 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Country Garden Holdings Company Limited (the “Company”) was incorporated in the Cayman Islands on 10 November 2006 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands. The Company is engaged in investment holding and its subsidiaries (collectively, the “Group”) are principally engaged in the property development, construction, fitting and decoration, property investment, property management and hotel operation.

The shares of the Company are listed on The Stock Exchange of Hong Kong Limited.

These financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 22 March 2017.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, financial assets at fair value through other comprehensive income and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures

- (i) The new or revised standards, amendments and interpretations to existing standards, which are mandatory for the financial year beginning on 1 January 2016, are either currently not relevant to the Group or had no material impact on the Group's consolidated financial statements.
- (ii) New and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2016 and have not been early adopted

		Effective for the financial year beginning on or after
HKAS 12 (Amendments)	Income taxes	1 January 2017
HKAS 7 (Amendments)	Statement of cash flows	1 January 2017
HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

The above new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except HKFRS 15 set out below:

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

- (ii) *New and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2016 and have not been early adopted (Continued)*

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those or services. It moves away from a revenue recognition model based on an 'earnings processes' to an 'asset-liability' approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition: HKFRIC 13 Customer Loyalty Programmes, HKFRIC 15 Agreements for the Construction of Real Estate, HKFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue — Barter Transactions Involving Advertising Services.

Management is currently assessing the effects of applying this new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- Revenue from pre-sales of properties under development may not be recognised at a point in time. Instead, some may be resulted in recognition of revenue over a period of time depending on the terms of the contract;
- The timing of revenue recognition for sale of completed properties held for sale which is currently based on whether significant risk and reward of ownership of properties transfer, may be different under the control transfer model; and
- The Group currently offers different payment plans to customers, which may have to adjust the transaction price for revenue recognition when significant financial component exists.

At this stage, management is not able to quantify the impact of this new standard on the Group's consolidated financial statements. Management is currently performing a more detailed assessment on the impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(iii) *New standard early adopted by the Group*

HKFRS 9 Financial Instruments (“HKFRS 9”) addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until 1 January 2018 but is available for early adoption. The Group has elected to apply HKFRS 9 as issued in July 2014 from 1 January 2016, because the new accounting policies provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows. See note 3 for further details on the impact of the change in accounting policy.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation are measured at either fair value or the present ownership interests’ proportionate share in the recognised amounts of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(i) Business combinations (Continued)

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

2 Summary of significant accounting policies *(Continued)*

2.3 Associates *(Continued)*

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of an associate' in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in profit or loss.

2.4 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount adjacent to 'share of results of a joint venture' in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.4 Joint arrangements (Continued)

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

2.6 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB which is the Company's functional currency and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or costs'. Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income within 'finance income or costs', except when capitalised on the basis set out in note 2.26. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other income and gains — net'.

2 Summary of significant accounting policies (Continued)

2.6 Foreign currency translation (Continued)

(iii) Group companies

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20–40 years
Transportation equipment	5–10 years
Machinery	5–10 years
Furniture, fitting and equipment	5–8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.10).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.7 Property, plant and equipment (Continued)

Construction in progress represents the direct costs of construction incurred of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'other income and gains-net' in the consolidated statement of comprehensive income.

2.8 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets. Changes in fair values are recorded in profit or loss as part of a valuation gain or loss.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increase directly to equity in revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. For a transfer from completed properties held for sale or properties under development to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

The Group shall transfer a property from investment property to property under development when it commences related development with a view to sale. For a transfer from investment property that is carried at fair value to property under development, related property under development shall be recognised at fair value at the transfer date.

2 Summary of significant accounting policies (Continued)

2.9 Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Computer software

Acquired computer software programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 5 to 10 years on a straight-line basis.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.11 Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

2 Summary of significant accounting policies (Continued)

2.11 Financial assets (Continued)

(ii) Recognition and measurement (Continued)

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (OCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statement of comprehensive income and recognised in 'other income and gains-net'. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statement of comprehensive income within 'other income and gains — net' in the period in which it arises. Interest income from these financial assets is included in the 'finance income'.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of comprehensive income. Dividends from such investments continue to be recognised in the consolidated statement of comprehensive income as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in 'other income and gains-net' in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.12 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and financial assets at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 4(a) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables only, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

2.13 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated. Otherwise, the change of fair value is recognised immediately in profit or loss within 'other income and gains – net'.

The Group designates some of their derivatives as hedges of foreign exchange and interest rate risks associated with the cash flows of their foreign currency borrowings (cash flow hedges). The Group documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within 'finance income/(costs) – net'.

2 Summary of significant accounting policies *(Continued)*

2.13 Derivative financial instruments and hedging activities *(Continued)*

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the option contract as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the option contracts are recognised in the cash flow hedge reserve within equity. The changes in the time value of the option contracts that relate to the hedged item ("aligned time value") are recognised within other comprehensive income in the costs of hedging reserve within equity. The aligned time value at the date of designation of the option as a hedging instrument is amortised on a systematic and rational basis to profit or loss over the period.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ("aligned forward element") is recognised within other comprehensive income in the costs of hedging reserve within equity. The aligned forward element at the date of designation of the forward contract as a hedging instrument is amortised on a systematic and rational basis to profit or loss over the period.

When a financial instrument that involves exchanges of cash flows that are denominated in different currencies is used in a hedge transaction, the foreign currency basis spread of the instrument is separated and excluded from the designated hedging instrument. The change in fair value of this excluded portion (to the extent it relates to the hedged item) is recognised in other comprehensive income and is accumulated in a separate component of equity. For time-period related hedged items, the currency basis spread at the date of designation (to the extent that it relates to the hedged item) is amortised on a systematic and rational basis to profit or loss over the period.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.15 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises cost of land use rights, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.16 Completed properties held for sale

Completed properties remaining unsold at year end are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

2.17 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 Summary of significant accounting policies *(Continued)*

2.18 Construction contracts

A construction contract is defined by HKAS 11 as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the “percentage of completion method” to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within “trade and other receivables”.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

2.19 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.20 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.21 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the owners of Company until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effect is included in equity attributable to the owners of Company.

2.22 Perpetual capital securities

Perpetual capital securities with no contractual obligation to repay its principal or with contractual right to unconditionally delay the payment of any distribution are classified as part of equity.

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to construction of hotel properties are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets when they are completed and ready for use.

2.24 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 Summary of significant accounting policies (Continued)

2.25 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.26 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differences between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and is limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2.27 Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the debt component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.27 Senior notes (Continued)

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

2.28 Receipts under securitisation arrangements

Receipts under securitisation arrangements are recognised initially at fair value, net of transaction costs incurred. Receipts under securitisation arrangements are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period using the effective interest method.

Transaction costs are included in the carrying amount of the receipts under securitisation arrangements and amortised over the period of the arrangements using the effective interest method.

2.29 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of statement of financial position in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 Summary of significant accounting policies (Continued)

2.29 Current and deferred income tax (Continued)

(ii) **Deferred income tax** (Continued)

Inside basis differences (Continued)

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the joint venture's or associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(iii) **Offsetting**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.30 Employee benefits

(i) **Pension obligations**

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group contributes on a monthly basis to various defined contribution benefit plans organised by the relevant governmental authorities. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.30 Employee benefits (Continued)

(ii) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.31 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (including shares options and awarded shares) of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

The grant by the Company of equity instruments over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the share options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

2 Summary of significant accounting policies (Continued)

2.32 Provisions and contingent liabilities

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.33 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the group companies. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(i) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position as advanced proceeds received from customers under current liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.33 Revenue recognition (Continued)

(ii) **Construction services**

Revenue arising from construction services is recognised in the accounting period in which the services is rendered, by reference to completion of the specific transaction assessed on the basis of the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract (note 2.18).

(iii) **Hotel operation**

Revenue from hotel operation is recognised in the accounting period in which the services are rendered.

(iv) **Property management**

Revenue arising from property management is recognised in the accounting period in which the services are rendered.

(v) **Fitting and decoration services**

Revenue from fitting and decoration services is recognised in the accounting period in which the services are rendered.

(vi) **Property investment**

Rental income from properties leasing under operating leases is recognised on a straight-line basis over the lease terms.

2.34 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.35 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.36 Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) **The Group is the lessee**

(a) *The Group is the lessee under operating lease other than land use rights*

Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

2 Summary of significant accounting policies (Continued)

2.36 Leases (Continued)

(i) **The Group is the lessee** (Continued)

(b) *The Group is the lessee under operating lease of land use rights*

The Group made upfront payments to obtain operating leases of land use rights. The upfront payments of the land use rights are recorded as assets. The amortisation of land use rights is recognised as an expense on a straight-line basis over the unexpired period of the land use rights.

(ii) **The Group is the lessor**

Assets leased out under operating leases are included in investment properties. Rental income from operating lease is recognised over the term of the lease on a straight-line basis.

2.37 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.38 Insurance contracts

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is a pre-existing risk transferred from the policyholder to the insurer, and is significant only if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

The Group assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in profit or loss.

The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property purchasers and financial guarantee contracts provided to its related parties as insurance contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Change in accounting policy

As explained in note 2.1.1(iii) above, the Group has early adopted HKFRS 9 as issued in July 2014 from 1 January 2016, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. As a consequence, any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings. Provisions for impairment have not been restated in the comparative period, as well.

The accounting policies were changed to comply with HKFRS 9. HKFRS 9 replaces the provisions of HKAS 39 Financial Instruments (“HKAS39”) that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 Financial Instruments — Disclosures.

(i) Classification and measurement of financial instruments

The total impact on the Group’s retained earnings due to classification and measurement of financial instruments as at 1 January 2016 is as follows:

	Note	RMB’000
Opening retained earnings — HKAS 39		32,135,960
Increase in provision for loans to related and third parties, net of tax	3(iii)(a)	(69,838)
Increase in provision for trade and other receivables (excluding prepayments and loans to related and third parties), net of tax	3(iii)(b)	(258,094)
Adjustment to retained earnings from adoption of HKFRS 9		(327,932)
Opening retained earnings — HKFRS 9		31,808,028

3 Change in accounting policy (Continued)

(i) Classification and measurement of financial instruments (Continued)

Management has assessed the business models and the contractual terms of the cash flows apply to the financial assets held by the Group at the date of initial application of HKFRS 9 (1 January 2016) and has classified its financial instruments into the appropriate HKFRS 9 categories, which are those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and those to be measured at amortised cost. The main effects resulting from this reclassification are as follows:

At 1 January 2016	Available-for-sale financial assets ("AFS") RMB'000	Financial assets at fair value through other comprehensive income ("FATOCI") RMB'000
Opening balance — HKAS 39	214,998	–
Reclassify non-trading unlisted equity securities from AFS to FATOCI	(214,998)	214,998
Opening balance — HKFRS 9	–	214,998

The main effects resulting from this reclassification on the Group's equity is as follows:

At 1 January 2016	AFS reserve RMB'000	FATOCI reserve RMB'000
Opening balance — HKAS 39	13,415	–
Reclassify non-trading unlisted equity securities from AFS FATOCI	(13,415)	13,415
Opening balance — HKFRS 9	–	13,415

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Change in accounting policy (Continued)

(i) Classification and measurement of financial instruments (Continued)

Equity interest in an unlisted investment fund company with a fair value of RMB214,998,000 was reclassified from AFS to FATOCI and the accumulated fair value gain of RMB13,415,000 were reclassified from the AFS reserve to the FATOCI reserve on 1 January 2016.

There is no impact on the Group's accounting for financial liabilities except for derivative financial instruments. For the accounting for derivative financial instruments, details are included in note 2.13. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

(ii) Derivatives and hedging activities

In prior years, the change in fair value of the entire forward contracts was recognised in profit or loss.

Upon adoption of HKFRS 9, the Group now recognises changes in the fair value of foreign exchange forward contracts, foreign exchange structured derivatives and cross currency swaps attributable to forward points in the costs of hedging reserve within equity. The deferred costs of hedging is amortised on a systematic and rational basis to profit or loss over the contract period.

(iii) Impairment of financial assets

The Group has two types of financial assets at amortised cost subject to HKFRS 9's new expected credit loss model:

- loans to related and third parties
- trade and other receivables (excluding prepayments and loans to related and third parties)

The Group revised its impairment methodology under HKFRS 9 for each of these classes of assets.

(a) Loans to related and third parties

For loans to related and third parties already in place at 1 January 2016, the Group has determined that reliably assessing the probability of default at the initial recognition of each loan to related and third parties would result in undue cost and effort. As permitted by HKFRS 9, the credit provision will be determined based on whether credit risk is low only at each reporting date, until the loan is derecognised. RMB69,838,000 was recognised in retained earnings as at 1 January 2016 for those loans whose credit risk has been assessed as other than low and for which the impairment methodology described in note 4(a)(iv) has been applied. Note 4(a)(iv) reconciles the loan loss allowance as at 1 January 2016 to that at the end of the reporting period.

3 Change in accounting policy *(Continued)*

(iii) Impairment of financial assets *(Continued)*

(b) Trade and other receivables (excluding prepayments and loans to related and third parties)

For trade and other receivables (excluding prepayments and loans to related and third parties), the Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected loss provision for all trade and other receivables (excluding prepayments and loans to related and third parties). RMB258,094,000 was recognised in retained earnings as at 1 January 2016 for those trade and other receivables (excluding prepayments and loans to related and third parties) whose credit risk has been assessed as other than low and for which the impairment methodology described in note 4(a)(iv) has been applied. Note 4(a)(iv) reconciles the loss allowance as at 1 January 2016 to that at the end of the reporting period.

4 Financial risk management

The Group conducts its operations mainly in the PRC and accordingly is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, influence of national authorities over pricing regulation and competition in the industry.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. The property industry is highly sensitive to the economic environment in the PRC, which will affect the volumes of property transactions and selling prices. The Group mainly relies on sales of properties and borrowings to fund its operations. All borrowings due for repayment in 2017 are anticipated to be repaid according to the terms of the loan agreements as the Group considers no renewal is necessary given its sufficient cash to finance its obligation. The Group has alternative plans (refer to note 4(a)(v)) to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

(a) Financial risk factors

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are bank deposits and borrowings denominated in Hong Kong Dollar ("HKD"), United States Dollar ("USD") and Ringgit Malaysia ("RM"). The Group is subject to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities which are denominated in non-RMB and net investment in foreign operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Foreign exchange risk (Continued)

The Group applies various types of derivative financial instruments (foreign currency forward contracts, foreign currency option contracts, cross currency swaps and foreign exchange structured derivatives) to mitigate exposures arising from the fluctuations in foreign currencies of debts.

The Group seeks to apply, wherever possible, hedge accounting to present its financial statements in accordance with the economic purpose of the hedging activity. The Group determines the economic relationship between the hedged items and the hedging instruments by reviewing their critical terms and performing a quantitative assessment as needed. As a result, the Group concludes that the risk being hedged for the hedged items and the risk inherent in the hedging instruments are sufficiently aligned. The main sources of hedge ineffectiveness are considered to be the effects of mismatch in timing and currency pair. In most of the cases, the hedging instruments have a one-to-one hedge ratio with the hedged items. In view of the nature of the hedging activities, no significant ineffectiveness is expected at inception.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective dates of statement of financial position are as follows:

	2016 RMB'000	2015 RMB'000
Assets		
HKD	752,616	17,684
USD	2,726,002	386,984
RM	4,608,172	587,672
Other currencies	386,193	164,518
	8,472,983	1,156,858
Liabilities		
HKD	3,932,713	3,710,616
USD	37,456,159	28,009,239
RM	9,419,855	3,787,249
Other currencies	819,170	368,488
	51,627,897	35,875,592

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Foreign exchange risk (Continued)

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. Should RMB strengthened/weakened by 5% against the relevant currencies, the effect on the comprehensive income for the year would be as follows:

	Change of comprehensive income — increase/(decrease)	
	2016 RMB'000	2015 RMB'000
RMB against HKD:		
Strengthened by 5%	159,005	184,647
Weakened by 5%	(159,005)	(184,647)
RMB against USD:		
Strengthened by 5%	1,736,508	1,381,113
Weakened by 5%	(1,736,508)	(1,381,113)
RMB against RM:		
Strengthened by 5%	182,844	119,984
Weakened by 5%	(182,844)	(119,984)

(ii) Price risk

The Group is exposed to equity securities price risk in connection with the Group's investment in a listed equity security (note 19). The Group closely monitors the fluctuation of the price and assesses the impact on the Group's financial statements. If the price of the equity security had been 5% higher/lower, post-tax profit for the year ended 31 December 2016 would be increased/decreased by approximately RMB45 million (2015: increased/decreased by approximately RMB45 million), as a result of more/less fair value gains on the investment.

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from interest-bearing bank deposits, senior notes, corporate bonds, receipts under securitisation arrangements, bank and other borrowings. Bank deposits, bank and other borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Senior notes, receipts under securitisation arrangements and corporate bonds issued at fixed rates expose the Group to fair value interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Cash flow and fair value interest rate risk (Continued)

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Group calculates the impact on profit or loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, the Group will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2016, borrowings of the Group which were bearing at floating rates amounted to approximately RMB56,250,162,000 (2015: RMB53,607,117,000). As at 31 December 2016, should the interest rate be increased/decreased by 50 basis points with all other factors remain unchanged and without taking into account interest capitalisation, the finance costs of the Group would be increased/decreased by approximately RMB281,251,000 (2015: RMB268,036,000).

(iv) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables and cash deposits with banks.

The carrying amounts of trade and other receivables, restricted cash, and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk, bank deposits are mainly placed with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers. For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Credit risk (Continued)

For properties that are still under construction, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 80% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's deposits and sell the property to recover any amounts paid by the Group to the bank. Unless the selling price would drop by no less than 20%, which is remote, the Group would not be in a loss position in selling those properties out. In this regard, the directors of the Company consider that the Group's credit risk is largely mitigated.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 39. No credit limits were exceeded during the year, and management does not expect any significant losses from non-performance by these counterparties.

For financial assets originated from 1 January 2016, the following credit risk modelling applies:

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Credit risk (Continued)

i. Loans to related and third parties

The Group uses four categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings. The ratings for the related and third parties are B as compared with the market ratings of similar companies by certain rating agencies.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 60 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery	Asset is written off

As at 1 January 2016 and 31 December 2016, the internal credit rating of loans to related and third parties were performing. The Group required certain third parties to provide guarantees or pledge collaterals as security against the loans.

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Credit risk (Continued)

i. Loans to related and third parties (Continued)

Over the term of the loans, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of loan, and adjusts for forward looking macroeconomic data. As at 31 December 2016, the Group provided for credit losses against loans to related and third parties as follows:

Company internal credit rating	External credit rating	Expected credit loss rate	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default RMB'000	Carrying amount (net of impairment provision) RMB'000	Basis for calculation of interest revenue
Performing	B	1-12%	12 months expected losses	2,046,832	2,024,659	Gross carrying amount

No significant change to estimation techniques or assumptions was made during the reporting period.

The loss allowance provision for loans to related and third parties as at 31 December 2016 reconciles to the opening loss allowance for that provision as follows:

	Performing RMB'000
Closing loss allowance as at 31 December 2015 (calculated under HKAS 39)	–
Amounts restated through opening retained earnings	93,117
Opening loss allowance as at 1 January 2016 (calculated under HKFRS 9)	93,117
Recoveries	(93,117)
Additional loss allowance	22,173
Closing loss allowance as at 31 December 2016 (calculated under HKFRS 9)	22,173

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Credit risk (Continued)

i. Loans to related and third parties (Continued)

As at 31 December 2016, the gross carrying amount of loans to related and third parties was RMB2,046,832,000 (2015: RMB775,971,000) and thus the maximum exposure to loss was RMB2,024,659,000 (2015: RMB775,971,000). The Group made no write-off of loans to related and third parties during the year (2015:nil).

ii. Trade and other receivables (excluding prepayments and loans to related and third parties)

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade and other receivables (excluding prepayments and loans to related and third parties).

As at 31 December 2016, the loss allowance provision was determined as follows; the expected credit losses below also incorporated forward looking information.

Trade receivables	Current	More than 90 days past due	More than 180 days past due	Total
Expected loss rate	0.1%	2.0%	5.0%	
Gross carrying amount (RMB'000)	12,519,539	580,738	628,407	13,728,684
Loss allowance provision (RMB'000)	12,520	11,615	31,420	55,555

Other receivables (excluding prepayments and loans to related and third parties)	Current	More than 180 days past due	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
Expected loss rate	0.1%	1.0%	10.0%	15.0%	20.0%	
Gross carrying amount (RMB'000)	79,444,706	3,836,670	714,974	593,472	847,778	85,437,600
Loss allowance provision (RMB'000)	79,445	38,367	71,497	89,021	169,556	447,886

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Credit risk (Continued)

ii. Trade and other receivables (excluding prepayments and loans to related and third parties) (Continued)

As at 31 December 2016, the loss allowance provision for trade and other receivables (excluding prepayments and loans to related and third parties) reconciles to the opening loss allowance for that provision as follows:

	Trade receivables RMB'000	Other receivables (excluding prepayments and loans to related and third parties) RMB'000	Total RMB'000
Closing loss allowance as at 31 December 2015 (calculated under HKAS 39)	–	–	–
Amounts restated through opening retained earnings	34,859	309,267	344,126
Opening loss allowance as at 1 January 2016 (calculated under HKFRS 9)	34,859	309,267	344,126
Provision for loss allowance recognised in profit or loss during the year	20,696	138,619	159,315
Closing loss allowance as at 31 December 2016 (calculated under HKFRS 9)	55,555	447,886	503,441

As at 31 December 2016, the gross carrying amount of trade and other receivables (excluding prepayments and loans to related and third parties) was RMB99,166,284,000 (2015: RMB33,100,157,000) and thus the maximum exposure to loss was RMB98,662,843,000 (2015: RMB33,100,157,000). The Group made no write-off of trade and other receivables excluding prepayments and loans to related and third parties during the year (2015: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management *(Continued)*

(a) Financial risk factors *(Continued)*

(v) *Liquidity risk*

Management aims to maintain sufficient cash to meet funding requirement for operations and monitors rolling forecasts of the Group's cash on the basis of expected cash flow. The directors of the Company have prepared cash flow projections for the year ending 31 December 2017. Key assumptions used in the preparation of the cash flow projections for the year ending 31 December 2017 include: (1) proceeds from pre-sales in 2017 is expected to be higher than that of 2016; (2) construction payments match receipt of the relevant proceeds from pre-sales; (3) available project loan facility is expected to be no less than that of 2016 and (4) no breach of debt covenants is anticipated in 2017, as the management will closely monitor the compliance status of the covenants for senior notes and club loans included in bank and other borrowings.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include adjusting and further slowing down the construction progress as appropriate to ensure available resources for the development of properties for sale, implementing cost control measures and accelerating sales with more flexible pricing. The Group, will base on its assessment of the relevant future costs and benefits, pursue such options as are appropriate. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(v) Liquidity risk (Continued)

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity grouping based on the remaining period at the date of statement of financial position to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2016					
Senior notes (principal amount plus interest)	2,016,933	2,016,933	21,079,158	13,836,280	38,949,304
Bank and other borrowings (principal amount plus interest)	33,756,108	19,868,415	19,169,155	2,590,197	75,383,875
Corporate bonds (principal amount plus interest)	9,923,618	16,858,955	12,288,185	2,078,000	41,148,758
Receipts under securitisation arrangements	7,230,392	-	-	-	7,230,392
Trade and other payables (excluding other taxes payable and salaries payable)	137,894,311	-	-	-	137,894,311
Derivative financial instruments	41,762	-	-	-	41,762
Total	190,863,124	38,744,303	52,536,498	18,504,477	300,648,402

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(v) Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2015					
Senior notes (principal amount plus interest)	1,559,682	1,559,682	14,894,492	10,830,107	28,843,963
Bank and other borrowings (principal amount plus interest)	25,682,643	14,687,381	18,677,147	509,148	59,556,319
Corporate bonds (principal amount plus interest)	714,346	888,426	16,063,487	–	17,666,259
Trade and other payables (excluding other taxes payable and salaries payable)	67,571,499	–	–	–	67,571,499
Derivative financial instruments	10,198	–	–	–	10,198
Total	95,538,368	17,135,489	49,635,126	11,339,255	173,648,238

(b) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to optimise the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

Consistent with other companies in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity excluding perpetual capital securities. Net debt is calculated as total borrowings (including senior notes, corporate bonds, and bank and other borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents and the guarantee deposits for construction of pre-sale properties.

4 Financial risk management (Continued)

(b) Capital management (Continued)

The gearing ratio as at 31 December 2016 and 2015 were as follows:

	2016 RMB'000	2015 RMB'000
Total borrowings (notes 23, 24 and 25)	136,196,876	89,743,795
Less: cash and cash equivalents (note 18)	(84,646,899)	(36,240,752)
guarantee deposits for construction of pre-sale properties (note 17)	(11,843,988)	(11,637,126)
Net debt	39,705,989	41,865,917
Total equity (excluding perpetual capital securities)	81,615,170	69,812,406
Gearing ratio	49%	60%

The directors of the Company consider the Group's gearing ratio is within the healthy range.

(c) Fair value estimation

The table below analyses financial instruments carried at fair value, by level of the inputs to valuation techniques used to measure fair value. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(c) Fair value estimation (Continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2016				
Assets				
FATOCI	-	-	870,734	870,734
Derivative financial instruments	-	1,221,532	-	1,221,532
Financial assets at fair value through profit or loss	1,188,096	6,133,140	-	7,321,236
Total	1,188,096	7,354,672	870,734	9,413,502
Liabilities				
Derivative financial instruments	-	41,762	-	41,762
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2015				
Assets				
AFS	-	-	214,998	214,998
Derivative financial instruments	-	18,043	-	18,043
Financial assets at fair value through profit or loss	-	-	1,188,096	1,188,096
Total	-	18,043	1,403,094	1,421,137
Liabilities				
Derivative financial instruments	-	10,198	-	10,198

4 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(i) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Valuation techniques used to derive level 2 fair values

Level 2 derivative financial instruments comprise foreign exchange forward contracts, foreign currency option contracts, foreign exchange structured derivatives and cross currency swaps. The fair value of these derivative financial instruments was determined using forward exchange rates and interest rates that are quoted in active market.

(ii) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2016 and 31 December 2015:

	2016 RMB'000	2015 RMB'000
Opening balance	1,403,094	208,667
Additions	601,962	1,188,096
Fair value changes	31,412	6,331
Exchange differences	22,362	–
Transfer to Level 1 ^(*)	(1,188,096)	–
Closing balance	870,734	1,403,094
Dividend income recognised in 'other income and gains — net'	7,380	9,560

* In 2016, the Group transferred its equity interest in Shenzhen Tiantu Investment Management Co. Ltd. ("Tiantu") from level 3 to level 1 as the shares of Tiantu actively traded on the National Equities Exchange and Quotations during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(d) Financial instruments by category

	2016			
	Assets at fair value through comprehensive income RMB'000	Assets at fair value through profit or loss RMB'000	Assets at amortised cost RMB'000	Total RMB'000
Assets as per consolidated statement of financial position				
FATOCI	870,734	–	–	870,734
Trade and other receivables excluding prepayments	–	–	100,687,502	100,687,502
Restricted cash	–	–	11,843,988	11,843,988
Cash and cash equivalents	–	–	84,646,899	84,646,899
Derivative financial instruments	–	1,221,532	–	1,221,532
Financial assets at fair value through profit or loss	–	7,321,236	–	7,321,236
Total	870,734	8,542,768	197,178,389	206,591,891
	2015			
	Available -for-sale RMB'000	Assets at fair value through profit or loss RMB'000	Assets at amortised cost RMB'000	Total RMB'000
Assets as per consolidated statement of financial position				
Available-for-sale financial assets	214,998	–	–	214,998
Trade and other receivables excluding prepayments	–	–	33,876,128	33,876,128
Restricted cash	–	–	11,637,126	11,637,126
Cash and cash equivalents	–	–	36,240,752	36,240,752
Derivative financial instruments	–	18,043	–	18,043
Financial assets at fair value through profit or loss	–	1,188,096	–	1,188,096
Total	214,998	1,206,139	81,754,006	83,175,143

4 Financial risk management (Continued)

(d) Financial instruments by category (Continued)

	2016		
	Liabilities at amortised cost RMB'000	Liabilities at fair value through profit or loss RMB'000	Total RMB'000
Liabilities as per consolidated statement of financial position			
Senior notes	29,264,448	–	29,264,448
Bank and other borrowings	69,222,804	–	69,222,804
Corporate bonds	37,709,624	–	37,709,624
Trade and other payables (excluding other taxes payable and salaries payable)	137,894,311	–	137,894,311
Receipts under securitisation arrangements	7,043,440	–	7,043,440
Derivative financial instruments	–	41,762	41,762
Total	281,134,627	41,762	281,176,389
	2015		
	Liabilities at amortised cost RMB'000	Liabilities at fair value through profit or loss RMB'000	Total RMB'000
Liabilities as per consolidated statement of financial position			
Senior notes	20,878,179	–	20,878,179
Bank and other borrowings	53,607,117	–	53,607,117
Corporate bonds	15,258,499	–	15,258,499
Trade and other payables (excluding other taxes payable and salaries payable)	67,571,499	–	67,571,499
Derivative financial instruments	–	10,198	10,198
Total	157,315,294	10,198	157,325,492

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Critical accounting estimates and judgements

Estimates and judgements used in preparing the consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimates for net realisable value of properties under development and completed properties held for sale

The total of properties under development and completed properties held for sale amounted to approximately RMB299,610,880,000 as at 31 December 2016 (2015: RMB221,948,241,000), accounting for approximately 51% (2015: 61%) of the Group's total assets. The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable value for completed properties held for sale is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's best estimates, there was no material impairment for properties under development and completed properties held for sale as at 31 December 2016 and 2015.

(b) Estimates for impairment of hotel non-financial assets

The Group's hotel non-financial assets including property, plant and equipment and land use rights amounted to approximately RMB12,858,675,000 as at 31 December 2016 (2015: RMB12,142,589,000), accounting for approximately 2% (2015: 3%) of the Group's total assets. Hotels are categorised by their different development stages. Hotels in start-up period employed prior year's budget and operating performances of consecutive two years for asset impairment assessment. Certain hotels of the Group were still or expected to be loss-making or did not perform as expected after the start-up period which presented impairment indicators for the non-financial assets of those hotels. Management performs review for impairment of the hotel non-financial assets whenever events or changes in circumstances indicate that the carrying amounts of the hotel non-financial assets may not be recoverable. In such case, the recoverable amounts of hotel non-financial assets have been determined based on value-in-use method. The value-in-use calculations require the use of significant estimates and assumptions on the projections of cash flows from the continuous use of the hotel non-financial assets. The key assumptions used in determining the value-in-use of hotel non-financial assets mainly include:

- Discount rate of 12% per annum;
- Revenue growth rate of 4% per annum after start-up period;
- Occupancy rates of 60% to 65% after start-up period; and
- Room rates after start-up period.

Based on management's best estimates, there was no material impairment for hotel non-financial assets at 31 December 2016 and 2015.

5 Critical accounting estimates and judgements (Continued)

(c) Estimates for fair value of investment properties

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuer. Significant judgement and assumptions are required in assessing the fair value of the investment properties. Details of the judgement and assumptions are disclosed in note 8.

(d) Revenue recognition

The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the date when the equitable interest in the property vests with the buyer upon release of the respective property to the buyer.

As disclosed in note 39, the Group provides guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will normally be discharged upon issuance of the real estate ownership certificate. In order to obtain mortgages, the purchasers would have settled no less than 20% of the total contract amount in accordance with related PRC regulations upon signing the sales contract. The directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank loans. In addition, based on the past experiences, defaults of mortgage facilities by the purchasers which resulted in the bank guarantees being called upon were rare. Further, as disclosed in note 4(a)(iv), the credit risk of the Group under the circumstance that a purchaser defaults on the payment of its mortgage during the term of the guarantee is very low. Accordingly, the directors believe that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers upon the delivery of the properties to them.

(e) Income taxes and deferred taxation

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Segment information

The executive directors review the Group's internal reporting in order to assess performance and allocate resources. The executive directors have determined the operating segments based on these reports.

The executive directors assess the performance of the Group organised into five business segments as follows:

- Property development;
- Construction, fitting and decoration;
- Property investment;
- Property management; and
- Hotel operation.

The executive directors assess the performance of the operating segments based on a measure of operating profit adjusted by excluding fair value changes on derivative financial instruments and including share of results of joint ventures and associates.

Segment assets consist primarily of property, plant and equipment, intangible assets, land use rights, investment properties, properties under development, completed properties held for sale, inventories, receivables and operating cash. They exclude deferred income tax assets, available-for-sale financial assets, financial assets at fair value through other comprehensive income, financial assets at fair value through profit and loss and derivative financial instruments. Segment liabilities consist primarily of operating liabilities. They exclude senior notes, corporate bonds, receipts under securitisation arrangements, bank and other borrowings, current and deferred income tax liabilities and derivative financial instruments.

Capital expenditure comprises additions to property, plant and equipment (note 7), investment properties (note 8), intangible assets (note 9) and land use rights (note 10).

6 Segment information (Continued)

Revenue consists of the following:

	2016	2015
	RMB'000	RMB'000
Sales of properties	148,180,135	109,460,370
Rendering of construction, fitting and decoration services	1,143,012	746,355
Rental income	97,136	91,747
Rendering of property management services	1,959,060	1,469,307
Rendering of hotel services	1,707,634	1,454,861
	153,086,977	113,222,640

Sales between segments are carried out according to the terms and condition agreed by the respective segments' management.

The Group's revenue is mainly attributable to the market in Mainland China and over 90% of the Group's non-current assets are located in Mainland China. No geographical information is therefore presented.

The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Segment information (Continued)

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2016 is as follows:

	Property development RMB'000	Construction, fitting and decoration RMB'000	Property investment RMB'000	Property management RMB'000	Hotel operation RMB'000	Total Group RMB'000
Segment revenue	148,180,135	20,068,771	97,136	2,358,449	1,794,463	172,498,954
Inter-segment revenue	-	(18,925,759)	-	(399,389)	(86,829)	(19,411,977)
Revenue (from external customers)	148,180,135	1,143,012	97,136	1,959,060	1,707,634	153,086,977
Depreciation and amortisation	462,893	24,426	-	14,199	499,236	1,000,754
Segment results	21,086,754	207,356	717,628	405,531	(81,219)	22,336,050
At 31 December 2016						
Total segment assets after elimination of inter-segment balances	538,238,604	10,581,790	9,784,491	2,236,630	13,494,271	574,335,786
Capital expenditure	1,389,217	18,823	107,035	23,089	1,033,103	2,571,267
Total segment liabilities after elimination of inter-segment balances	335,241,443	6,838,329	12,768	1,378,201	964,896	344,435,637

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2015 is as follows:

	Property development RMB'000	Construction, fitting and decoration RMB'000	Property investment RMB'000	Property management RMB'000	Hotel operation RMB'000	Total Group RMB'000
Segment revenue	109,460,370	13,634,456	91,747	1,940,853	1,508,247	126,635,673
Inter-segment revenue	-	(12,888,101)	-	(471,546)	(53,386)	(13,413,033)
Revenue (from external customers)	109,460,370	746,355	91,747	1,469,307	1,454,861	113,222,640
Depreciation and amortisation	421,128	35,444	-	13,482	359,718	829,772
Segment results	14,975,696	170,418	903,529	253,864	(188,733)	16,114,774
At 31 December 2015						
Total segment assets after elimination of inter-segment balances	326,818,471	7,268,206	8,686,295	975,304	12,999,972	356,748,248
Capital expenditure	1,507,855	15,746	344,564	4,287	917,683	2,790,135
Total segment liabilities after elimination of inter-segment balances	160,280,150	8,180,750	8,011	737,945	933,943	170,140,799

6 Segment information (Continued)

As at 31 December 2016, segment assets of the property development segment included the amounts of investments in joint ventures and associates accounted for using the equity method totalling approximately RMB11,184,502,000 (2015: RMB1,688,426,000).

Reportable segment results are reconciled to net profit as follows:

	2016	2015
	RMB'000	RMB'000
Total segment results	22,336,050	16,114,774
Changes in fair value of derivative financial instruments	149,827	7,845
Finance costs — net	(1,095,305)	(1,289,510)
Profit before income tax	21,390,572	14,833,109
Income tax expenses	(7,727,349)	(5,121,428)
Profit for the year	13,663,223	9,711,681

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Segment information (Continued)

Reportable segments' assets and liabilities are reconciled to total assets and total liabilities as follows:

	2016 RMB'000	2015 RMB'000
Total segment assets after elimination of inter-segment balances	574,335,786	356,748,248
Deferred income tax assets	7,822,313	3,786,942
Financial assets at fair value through profit or loss	7,321,236	1,188,096
Available-for-sale financial assets	–	214,998
Financial assets at fair value through other comprehensive income	870,734	–
Derivative financial instruments	1,221,532	18,043
Total assets	591,571,601	361,956,327
Total segment liabilities after elimination of inter-segment balances	344,435,637	170,140,799
Deferred income tax liabilities	6,928,304	3,815,717
Current income tax liabilities	15,310,412	8,905,412
Senior notes	29,264,448	20,878,179
Bank and other borrowings	69,222,804	53,607,117
Corporate bonds	37,709,624	15,258,499
Receipts under securitisation arrangements	7,043,440	–
Derivative financial instruments	41,762	10,198
Total liabilities	509,956,431	272,615,921

7 Property, plant and equipment

	Buildings RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Furniture, fitting and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2015						
Cost	12,193,612	577,305	1,398,052	1,433,227	5,860,344	21,462,540
Accumulated depreciation	(1,302,732)	(240,855)	(591,821)	(684,614)	–	(2,820,022)
Net book amount	10,890,880	336,450	806,231	748,613	5,860,344	18,642,518
Year ended						
31 December 2015						
Opening net book amount	10,890,880	336,450	806,231	748,613	5,860,344	18,642,518
Acquisition of subsidiaries	–	–	748	48,440	–	49,188
Other additions	753,494	39,315	88,130	156,594	1,320,774	2,358,307
Transfer	1,697,522	–	–	–	(1,697,522)	–
Disposals	(92,119)	(8,242)	(31,234)	(120,099)	(5,100)	(256,794)
Depreciation	(271,363)	(52,137)	(175,988)	(262,567)	–	(762,055)
Exchange differences	(6,789)	(980)	(1,785)	(1,769)	–	(11,323)
Closing net book amount	12,971,625	314,406	686,102	569,212	5,478,496	20,019,841
At 31 December 2015						
Cost	14,443,981	597,629	1,420,246	1,447,420	5,478,496	23,387,772
Accumulated depreciation	(1,472,356)	(283,223)	(734,144)	(878,208)	–	(3,367,931)
Net book amount	12,971,625	314,406	686,102	569,212	5,478,496	20,019,841

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Property, plant and equipment (Continued)

	Buildings RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Furniture, fitting and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2016						
Opening net book amount	12,971,625	314,406	686,102	569,212	5,478,496	20,019,841
Acquisition of subsidiaries (note 43)	-	-	-	77,028	-	77,028
Other additions	857,765	60,768	194,765	120,332	666,262	1,899,892
Transfer	426,126	-	-	-	(426,126)	-
Disposal of subsidiaries	-	-	-	(406)	-	(406)
Other disposals	(73,036)	(12,692)	(71,558)	(41,552)	(14,805)	(213,643)
Depreciation	(399,012)	(72,186)	(177,337)	(272,425)	-	(920,960)
Exchange differences	5,292	318	1,708	7,959	-	15,277
Closing net book amount	13,788,760	290,614	633,680	460,148	5,703,827	20,877,029
At 31 December 2016						
Cost	15,644,444	639,888	1,499,320	1,616,455	5,703,827	25,103,934
Accumulated depreciation	(1,855,684)	(349,274)	(865,640)	(1,156,307)	-	(4,226,905)
Net book amount	13,788,760	290,614	633,680	460,148	5,703,827	20,877,029

7 Property, plant and equipment (Continued)

Depreciation charge was capitalised or expensed in the following categories in the consolidated statement of financial position or the consolidated statement of comprehensive income:

	2016	2015
	RMB'000	RMB'000
Properties under development	223,498	165,479
Cost of sales	404,238	416,290
Selling and marketing costs	77,778	42,267
Administrative expenses	215,446	138,019
	920,960	762,055

As at 31 December 2016, buildings with net book value of RMB2,719,569,000 (2015: RMB3,528,296,000) were pledged as collateral for the Group's borrowings.

As at 31 December 2016, title certificates of buildings with net book value of RMB4,936,919,000 (2015: RMB5,120,147,000) were still in the process of being obtained.

As at 31 December 2016, included in buildings and construction in progress were mainly the hotels located in the PRC, which were classified as property, plant and equipment, with net book value of RMB12,181,934,000 (2015: RMB11,116,518,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Investment properties

	2016 RMB'000	2015 RMB'000
Year ended 31 December		
Opening net book amount	8,686,295	7,035,579
Other additions	107,035	344,564
Transfer from properties under development and completed properties held for sale	1,259,166	639,585
Revaluation gains upon transfer from properties under development and completed properties held for sale	801,623	601,023
Fair value changes	(90,019)	208,789
Transfer to properties under development	(990,670)	–
Other disposals	–	(143,245)
Closing net book amount	9,773,430	8,686,295
Gains arising from changes in fair value of and transfer to investment properties represent:		
– revaluation gains upon transfer of properties under development and completed properties held for sale	801,623	601,023
– fair value changes	(90,019)	208,789
	711,604	809,812

Properties were re-measured at their respective fair values upon transfer. For the properties transferred from properties under development and completed properties held for sale to investment properties, the differences between the fair values and carrying amounts upon transfer, amounting to RMB801,623,000 (2015: RMB601,023,000), were recognised in profit or loss as gains arising from changes in fair value of and transfer to investment properties.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. At 31 December 2016 and 2015, the Group had only level 3 investment properties.

8 Investment properties *(Continued)*

Valuation processes of the Group

The Group's investment properties were valued at transfer dates, and at 31 December 2016 and 2015 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, or Vigers Appraisal and Consulting Limited, the independent and professionally qualified valuers who hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates the highest and best use.

Discussions of valuation processes and results are held between management and the valuers on a semi-annual basis, in line with the Group's interim and annual reporting dates.

At each half year-end, management:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuers.

Valuation techniques

Valuations are based on:

- (i) Direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as locations and property size; and/or
- (ii) Income capitalisation approach taking into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property; or
- (iii) Residual method of valuation which is commonly used in valuing development sites by establishing the market value of the properties on an "as-if" completed basis with appropriate deduction on construction costs, professional fees, contingency, marketing and legal cost, and interest payments to be incurred, anticipated developer's profits, as well as land acquisition costs, interest payment and profit on land.

There were no changes to the valuation techniques during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Investment properties (Continued)

Valuation techniques (Continued)

Information about fair value measurements using significant unobservable inputs (level 3)

	Fair value as at 31 December 2016	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	8,277,011,000	Income capitalisation	The rate of return/ capitalisation rate Monthly rental (RMB/ square meter/month)	3%–5.5% per annum 10–155
		Direct comparison	Adjusted market price (RMB/square meter)	3,500–38,800
Investment properties under construction	1,496,419,000	Residual method	Budgeted construction costs to be incurred (RMB/square meter)	160–640
			Remaining percentage to completion Anticipated developer's profit margin	5%–15% 12%–15%
		Direct comparison	Adjusted market price (RMB/square meter)	3,500–38,800

8 Investment properties (Continued)

Valuation techniques (Continued)

Information about fair value measurements using significant unobservable inputs (level 3) (Continued)

	Fair value as at 31 December 2015	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	7,676,621,000	Income capitalisation	The rate of return/ capitalisation rate	4%–5.5% per annum
			Monthly rental (RMB/square meter/ month)	20–75
		Direct comparison	Adjusted market price (RMB/square meter)	1,800–37,000
Investment properties under construction	1,009,674,000	Residual method	Budgeted construction cost to be incurred (RMB/square meter)	240–1,900
			Remaining percentage to completion	10%–20%
			Anticipated developer's profit margin	12%–15%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Investment properties (Continued)

Relationships of unobservable inputs to fair value are as follows:

- The higher rate of return/capitalisation rate, the lower fair value;
- The higher expected vacancy rate, the lower fair value;
- The higher monthly rental, the higher fair value;
- The higher market price, the higher fair value;
- The higher budgeted construction cost to be incurred, the lower fair value;
- The higher remaining percentage to completion, the lower fair value;
- The higher the anticipated developer's profit margin, the lower fair value.

Amounts recognised in profit or loss for investment properties

	2016 RMB'000	2015 RMB'000
Rental income	97,136	91,747
Direct operating expenses	(15,096)	(11,186)
	82,040	80,561

As at 31 December 2016, investment properties with fair value of RMB344,557,000 (2015: RMB357,513,000) were pledged as collateral for the Group's borrowings.

9 Intangible assets

	Computer software RMB'000	Goodwill RMB'000	Total RMB'000
At 1 January 2015			
Cost	75,154	–	75,154
Accumulated amortisation	(45,907)	–	(45,907)
Net book amount	29,247	–	29,247
Year ended 31 December 2015			
Opening net book amount	29,247	–	29,247
Acquisition of subsidiaries	119	90,274	90,393
Other additions	12,467	–	12,467
Amortisation	(10,568)	–	(10,568)
Closing net book amount	31,265	90,274	121,539
At 31 December 2015			
Cost	87,740	90,274	178,014
Accumulated amortisation	(56,475)	–	(56,475)
Net book amount	31,265	90,274	121,539
Year ended 31 December 2016			
Opening net book amount	31,265	90,274	121,539
Acquisition of subsidiaries (note 43)	–	127,127	127,127
Other additions	19,321	–	19,321
Amortisation	(19,063)	–	(19,063)
Disposal of subsidiaries	–	(9,557)	(9,557)
Closing net book amount	31,523	207,844	239,367
At 31 December 2016			
Cost	107,061	207,844	314,905
Accumulated amortisation	(75,538)	–	(75,538)
Net book amount	31,523	207,844	239,367

Amortisation expense has been charged in administrative expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Land use rights

	2016 RMB'000	2015 RMB'000
Opening net book amount	2,052,170	2,034,522
Additions	545,019	74,797
Amortisation	(60,731)	(57,149)
Closing net book amount	2,536,458	2,052,170

Amortisation expense has been charged in administrative expenses.

The land use rights located in the PRC are held on leases of between 10 to 50 years, and for self-use. The land use rights located in the Malaysia are freehold, and for self-use.

As at 31 December 2016, land use rights with net book value of RMB1,477,504,000 (2015: RMB1,169,463,000) were pledged as collateral for the Group's borrowings.

11 Properties under development

	2016 RMB'000	2015 RMB'000
Properties under development expected to be completed:		
– Within a normal operating cycle included under current assets	216,383,252	135,107,046
– Beyond a normal operating cycle included under non-current assets	52,342,374	52,727,068
	268,725,626	187,834,114
Amounts comprise:		
– Construction costs	165,107,836	110,526,146
– Land use rights	95,484,336	69,910,631
– Borrowing costs capitalised	8,133,454	7,397,337
	268,725,626	187,834,114

The normal operating cycle of the Group's property development generally ranges from one to two years.

At 31 December 2016, properties under development amounting to RMB160,526,815,000 (2015: RMB98,718,380,000) were expected to be completed for sale beyond one year.

11 Properties under development (Continued)

The capitalisation rate used to determine the amount of interest on general borrowings incurred eligible for capitalisation in 2016 was 6.31% per annum (2015: 7.78% per annum).

The properties under development of the Group are located as follows:

	2016 RMB'000	2015 RMB'000
PRC	257,445,191	181,522,936
Malaysia	9,791,706	5,835,080
Australia	959,634	476,098
Others	529,095	–
	268,725,626	187,834,114

As at 31 December 2016, land use rights included in properties under development with net book value of RMB19,953,767,000 (2015: RMB18,649,419,000) were pledged as collateral for the Group's borrowings.

12(a) Subsidiaries

The principal subsidiaries at 31 December 2016 are listed in note 47.

The directors of the Company consider that none of the non-controlling interests of the individual subsidiaries were significant to the Group and thus the individual financial information of these subsidiaries are not disclosed.

12(b) Investments in joint ventures

	2016 RMB'000	2015 RMB'000
At 1 January	803,934	21,374
Additions	6,074,663	805,891
Share of results	432,556	(23,331)
— Gains arising from negative goodwill	731,300	–
— Others	(298,744)	(23,331)
At 31 December	7,311,153	803,934

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12(b) Investments in joint ventures (Continued)

The balance comprises the following:

	2016 RMB'000	2015 RMB'000
Unlisted investments		
— Share of net assets	7,210,393	803,934
— Goodwill	100,760	—
	7,311,153	803,934

Additions during the year mainly included the acquisitions of shares in a number of property development companies and the investments in a number of newly established property development companies together with certain third parties. None of these acquisitions was significant to the Group. Summary of the acquisitions is as follows:

(i) Acquisitions with negative goodwill

Identifiable net assets

	RMB'000
Identifiable assets and liabilities assumed	
Assets	27,919,697
Liabilities	(17,113,553)
Identifiable net assets	10,806,144

Reconciliation to the Group's interests in the joint ventures

Fair values of the Group's share of identifiable net assets	5,895,063
Fair values of the consideration for the acquisitions	(5,163,763)
Negative goodwill	731,300

The negative goodwill was mainly resulted from the fact that the joint venture partners intended to cooperate with a leading property developer in the PRC to resolve liquidity issues or bring in industry expertise.

12(b) Investments in joint ventures (Continued)

(ii) **Acquisitions with goodwill**

Identifiable net assets

	RMB'000
Identifiable assets and liabilities assumed	
Assets	6,083,562
Liabilities	(5,271,455)
Identifiable net assets	812,107

Reconciliation to the Group's interests in the joint ventures

Fair values of the consideration for the acquisitions	434,757
Fair values of the Group's share of identifiable net assets	(333,997)
Goodwill	100,760

The goodwill of RMB100,760,000 arose from the acquisitions of certain properties development companies, which is mainly attributable to economies of scale expected from the acquisitions.

As at 31 December 2016, certain borrowings of joint ventures were guaranteed by the Group (note 39) and/or secured by the Group's certain interests in joint ventures with an aggregate carrying value of RMB 65,893,000 (2015:nil). As at 31 December 2016, there were no significant commitments relating to the Group's interests in the joint ventures.

The directors of the Company consider that none of the joint ventures as at 31 December 2016 and 31 December 2015 was significant to the Group and thus the individual financial information of the joint ventures was not disclosed. The summarised financial information of individually immaterial joint ventures on an aggregate basis is as follows:

	2016 RMB'000	2015 RMB'000
Carrying amount in the consolidated financial statements	7,311,153	803,934
Share of profits/(losses) for the year	432,556	(23,331)
Share of total comprehensive income/(loss)	432,556	(23,331)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12(c) Investments in associates

	2016 RMB'000	2015 RMB'000
At 1 January	884,492	34,492
Additions	3,059,709	882,427
Share of losses	(70,852)	(32,427)
— Gains arising from negative goodwill	76,776	—
— Others	(147,628)	(32,427)
At 31 December	3,873,349	884,492

Additions during the year mainly included the acquisitions of shares in a number of property development companies and the investments in a number of newly established property development companies together with third parties. None of the acquisition was individually significant to the Group. Summary of the acquisitions are as follows:

Identifiable net assets

	RMB'000
Identifiable assets and liabilities assumed	
Assets	15,146,364
Liabilities	(11,562,549)
Identifiable net assets	3,583,815

Reconciliation to the Group's interests in associates

Fair values of the Group's share of identifiable net assets	1,670,442
Fair values of the consideration for the acquisition	(1,593,666)
Negative goodwill	76,776

The negative goodwill was mainly resulted from the fact that other shareholders intended to cooperate with a leading property developer in the PRC to resolve liquidity issues or bring in industry expertise.

As at 31 December 2016, certain borrowings of associates were guaranteed by the Group (note 39) and/or secured by the Group's certain interests in associates with an aggregate carrying value of RMB55,000,000 (2015: RMB1,965,000).

12(c) Investments in associates (Continued)

The directors of the Company consider that none of the associates as at 31 December 2016 and 31 December 2015 was significant to the Group and thus the individual financial information of the associates was not disclosed. The summarised financial information of individually immaterial associates on an aggregate basis is as follows:

	2016 RMB'000	2015 RMB'000
Carrying amount in the consolidated financial statements	3,873,349	884,492
Share of losses for the year	(70,852)	(32,427)
Share of total comprehensive loss	(70,852)	(32,427)

13 Financial assets at fair value through other comprehensive income

	2016 RMB'000	2015 RMB'000
Unlisted equity investments at fair value:		
At 1 January	–	–
Reclassified from available-for-sale financial assets	214,998	–
Other additions	601,962	–
Exchange differences	22,362	–
Fair value changes	31,412	–
At 31 December	870,734	–

At 31 December 2016, the Group's financial assets at fair value through other comprehensive income represented a 3.95% equity interest in an investment fund company which was established in March 2013 in the PRC, a 0.22% equity interest in an investment holding company which was established in 2011 in the Cayman Islands and a 14% equity interest in a venture capital fund which was established in 2016 in the Cayman Islands. These financial assets at fair value through other comprehensive income are denominated in RMB and USD.

The fair value of the Group's investment in the investment fund company amounting to RMB218,374,000 at 31 December 2016 was determined with reference to the Group's share of the net asset value of the investment fund company.

The fair value of the Group's investment in the investment holding company amounting to RMB305,514,000 was valued at 31 December 2016 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited based on direct comparison approach by making reference to recent market transaction prices of similar deals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Financial assets at fair value through other comprehensive income (Continued)

The fair value of the Group's investment in the venture capital fund company amounting to RMB346,846,000 at 31 December 2016 was determined based on the transaction price of the private placement of the shares of investment fund company to certain investors around year end date.

The fair value measurement of the financial assets at fair value through other comprehensive income is categorised within level 3 of the fair value hierarchy.

14 Completed properties held for sale

	2016 RMB'000	2015 RMB'000
Completed properties held for sale	30,885,254	34,114,127

The completed properties held for sale are mainly located in the PRC.

15 Inventories

	2016 RMB'000	2015 RMB'000
Construction materials and spare parts	2,203,727	1,978,437

16 Trade and other receivables

	2016	2015
	RMB'000	RMB'000
Included in current assets		
— Trade receivables — net (note (a))	13,673,129	14,764,833
— Other receivables — net (note (b))	84,989,714	18,335,324
— Loans to related and third parties — net (note (c))	1,969,159	133,021
— Prepayments for land (note (d))	6,820,629	4,275,331
— Other prepayments (note (e))	9,869,116	4,733,607
	117,321,747	42,242,116
Included in non-current assets		
— Loans to related parties and third parties (note (c))	55,500	642,950
	117,377,247	42,885,066

As at 31 December 2016, the fair value of trade and other receivables approximated their carrying amounts.

(a) Details of trade receivables are as follows:

	2016	2015
	RMB'000	RMB'000
Trade receivables	13,728,684	14,764,833
Less: allowance for impairment	(55,555)	—
Trade receivables — net	13,673,129	14,764,833

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Trade and other receivables (Continued)

(a) Details of trade receivables are as follows: (Continued)

Trade receivables mainly arise from sales of properties. Property buyers are generally granted credit terms of 1 to 6 months. The ageing analysis of trade receivables based on revenue recognition date is as follows:

	2016 RMB'000	2015 RMB'000
Within 90 days	12,003,625	12,706,910
Over 90 days and within 180 days	714,221	853,260
Over 180 days and within 365 days	490,522	821,220
Over 365 days	520,316	383,443
	13,728,684	14,764,833

At 31 December 2016 and 2015, trade receivables were mainly denominated in RMB.

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9. As at 31 December 2016, a provision of RMB55,555,000 was made against the gross amount of trade receivables (2015: nil) (note 4).

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers. Trade receivables were collateralised by the titles of the properties sold.

16 Trade and other receivables (Continued)

(b) Details of other receivables are as follows:

	2016	2015
	RMB'000	RMB'000
Amounts due from related parties except for contract work (note 44(c))	17,568,947	4,597,657
Land auction and other deposits	14,292,195	6,999,069
Amounts due from customers for contract work (i)	667,059	563,378
Others (ii)	52,909,399	6,175,220
	85,437,600	18,335,324
Less: allowance for impairment	(447,886)	–
Other receivables — net	84,989,714	18,335,324

(i) Amounts due from customers for contract work are as follows:

	2016	2015
	RMB'000	RMB'000
Cost incurred	5,101,173	3,919,572
Recognised profits (less recognised losses)	1,314,436	1,063,910
	6,415,609	4,983,482
Less: progress billings	(5,748,550)	(4,420,104)
	667,059	563,378
Represented by:		
Amounts due from customers	667,059	563,378
Including: Related parties (note 44(c))	397,971	343,213
Third parties	269,088	220,165

(ii) These receivables mainly included current accounts due from the other shareholders of certain joint ventures and associates of the Group for various payments on their behalf, which are interest-free, unsecured and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Trade and other receivables (Continued)

- (c) As at 31 December 2016, loans to related and third parties bear interest rates ranging from 8% to 15% per annum, of which RMB413,332,000 (2015: nil) were secured by certain properties and land use rights of the third parties, and RMB75,000,000 (2015: nil) were secured by certain other shareholders' interests in the joint ventures and associates of the Group.

	2016 RMB'000	2015 RMB'000
Included in current assets		
— Loans to related parties	—	133,021
— Loans to third parties	1,991,332	—
— Less: allowance for impairment	(22,173)	—
— Loans to related and third parties — net	1,969,159	133,021
Included in non-current assets		
— Loans to related parties and third parties	55,500	642,950
	2,024,659	775,971

- (d) Prepayments for land use rights are related to acquisition of land use rights upon successfully bidding at the land auctions conducted by the PRC government. The relevant land use right certificates have not been obtained at 31 December 2016.

- (e) Other prepayments mainly represent prepayments for purchases of construction materials and services.

17 Restricted cash

The amount represented guarantee deposits for construction of pre-sale properties denominated in RMB and RM placed in designated accounts.

In accordance with relevant government requirements, certain property development companies of the Group are required to place in designated bank accounts certain amount of pre-sale proceeds as guarantee deposits for the constructions of the related properties. The deposits can only be used for payments for construction costs of the relevant properties when approval from related government authority is obtained. Such guarantee deposits will be released after the completion of construction of the related properties.

18 Cash and cash equivalents

	2016 RMB'000	2015 RMB'000
Cash at bank and in hand	78,434,654	31,839,298
Short-term bank deposits	18,056,233	16,038,580
	96,490,887	47,877,878
Less: restricted cash (note 17)	(11,843,988)	(11,637,126)
	84,646,899	36,240,752

The short-term bank deposits are denominated in RMB and have terms ranging from 1 month to 3 months. The effective interest rate of these deposits as at 31 December 2016 was 2.54% per annum (2015: 3.11% per annum).

Cash and deposits are denominated in the following currencies:

	2016 RMB'000	2015 RMB'000
Denominated in RMB	90,541,406	46,753,858
Denominated in HKD	705,041	17,684
Denominated in USD	1,552,046	386,984
Denominated in RM	3,308,429	554,834
Denominated in other currencies	383,965	164,518
	96,490,887	47,877,878

The conversion of RMB and RM denominated balances into other currencies and the remittance of bank balances and cash out of the PRC and Malaysia are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC and Malaysian governments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Financial assets at fair value through profit or loss

	2016 RMB'000	2015 RMB'000
Listed equity security — China (note (a))	1,188,096	1,188,096
Wealth management products (note (b))	6,133,140	–
	7,321,236	1,188,096

(a) Amount represented a 9.16% equity interest in Tiantu, which is mainly engaged in investment activities and is listed on the National Equities Exchange and Quotations in the PRC. The fair value of the investment at 31 December 2016 was calculated using the quoted market price. The fair value measurement of the listed equity security is categorised within level 1 of the fair value hierarchy.

(b) Wealth management products are mainly investments in financial instruments issued by banks. They have initial terms ranging from 3 to 181 days. The fair values of these investments approximated their carrying values as at 31 December 2016.

20 Trade and other payables

	2016 RMB'000	2015 RMB'000
Trade payables (note (b))	76,074,204	53,478,430
Other taxes payable	8,211,358	2,443,970
Salaries payable	5,683,591	3,369,731
Other payables (note (c))	61,422,617	13,722,445
Accrued expenses	397,490	370,624
	151,789,260	73,385,200

(a) As at 31 December 2016, the carrying amounts of trade and other payables approximated their fair values.

20 Trade and other payables (Continued)

(b) The ageing analysis of trade payables mainly based on the date of invoices is as follows:

	2016	2015
	RMB'000	RMB'000
Within 90 days	63,517,129	47,826,776
Over 90 days and within 180 days	9,412,965	3,098,282
Over 180 days and within 365 days	1,876,190	1,564,830
Over 365 days	1,267,920	988,542
	76,074,204	53,478,430

(c) Other payables mainly included current accounts due to certain joint ventures and associates of the Group and outstanding considerations to acquire certain subsidiaries, joint ventures and associates, which are interest-free, unsecured and repayable on demand.

21 Receipts under securitisation arrangements

These represented proceeds received from issuance of receipts under securitisation arrangements collateralised by certain future trade receivables for the remaining receipts from sales of properties amounting to RMB7,043,440,000. These securities bear an effective interest rate of 4.5% to 6.0% per annum and have a revolving term of 3 to 6 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Derivative financial instruments

	2016		2015	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Qualified for hedge accounting				
Foreign currency option contracts (note (a))	462,021	–	–	–
Foreign exchange structured derivatives (note (b))	549,034	–	–	–
Cross currency swaps (note (c))	45,462	–	–	–
Not qualified for hedge accounting				
Foreign exchange forward contracts	165,015	41,762	18,043	10,198
	1,221,532	41,762	18,043	10,198
Analysed as:				
Current	187,145	41,762	18,043	10,198
Non-current	1,034,387	–	–	–
	1,221,532	41,762	18,043	10,198

The notional principal amount of the derivative financial instruments at 31 December 2016 was RMB27,806,596,000, of which RMB23,520,977,000 was for cash flow hedge. These contracts will mature during the years from 2017 to 2021.

22 Derivative financial instruments (Continued)

The effects of applying hedge accounting on the Group's financial position and performance are as follows:

	31 December 2016 RMB'000
(a) Derivative financial instruments – Foreign currency option contracts	
Carrying amount	462,021
Notional amount	14,199,172
Maturity date	23 May 2017– 31 March 2021
Hedge ratio*	1:1
Change in foreign exchange risk component of outstanding hedging instruments since 1 January	813,300
Change in value of hedged item used to determine hedge effectiveness	(769,900)
Strike rate	USD: RMB ranging from 6.48 to 6.68
(b) Derivative financial instruments – Foreign exchange structured derivatives (note (i))	
Carrying amount	549,034
Notional amount	8,898,090
Maturity date	17 December 2018– 9 March 2020
Hedge ratio*	1:1
Change in foreign exchange risk component of outstanding hedging instruments since 1 January	583,201
Change in value of hedged item used to determine hedge effectiveness	(524,702)
Strike rate	USD: RMB ranging from 6.49 to 6.66
(i): Foreign exchange structured derivatives are cross-currency swaps with options against exchange rate risk of interest and principal repayment.	
(c) Derivative financial instruments – Cross currency swaps	
Carrying amount	45,462
Notional amount	423,715
Maturity date	18 December 2018
Hedge ratio*	1:1
Change in foreign exchange risk component of outstanding hedging instruments since 1 January	25,784
Change in value of hedged item used to determine hedge effectiveness	(20,722)
Strike rate	HKD: RMB 0.85

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Derivative financial instruments (Continued)

	2016 RMB'000
(d) Reserves	
Deferred cost of hedging reserve – deferred time value — opening balance	–
Add: costs of hedging deferred for the year	(365,768)
Less: reclassified to profit or loss	69,867
Closing balance	(295,901)
	2016 RMB'000
Cash flow hedge reserve – opening balance	–
Add: change in fair value of hedging instrument recognised in other comprehensive income for the year (effective portion)	1,422,285
Less: reclassified to profit or loss	(1,332,303)
Closing balance	89,982

* The foreign currency option contracts, foreign exchange structured derivatives and cross currency swap contracts are denominated in the same currency as the highly probable future debt payments (USD and HKD), therefore the hedge ratio is 1:1.

23 Senior notes

	2016 RMB'000	2015 RMB'000
As at 1 January	20,878,179	22,273,762
Additions	6,654,357	5,483,516
Early redemption and repayment on maturity	–	(8,018,100)
Interest expenses (note 34)	1,731,150	1,880,984
Coupon paid	(1,590,989)	(1,917,376)
Covenant modification fees	–	(51,166)
Exchange differences	1,591,751	1,226,559
	29,264,448	20,878,179
Included in non-current liabilities	29,264,448	20,878,179

The Group's senior notes were repayable as follows:

	2016 RMB'000	2015 RMB'000
Between 2 and 5 years	17,048,157	11,041,295
Over 5 years	12,216,291	9,836,884
	29,264,448	20,878,179

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Senior notes (Continued)

- (a) The Group has issued the following senior notes:
- (i) On 10 January 2013, the Company issued senior notes in an aggregate principal amount of USD750,000,000 (the "2023 Notes I"). The 2023 Notes carry interest at the rate of 7.5% per annum, payable semi-annually on 10 January and 10 July in arrears, and will mature on 10 January 2023, unless redeemed earlier.
 - (ii) On 4 October 2013, the Company issued senior notes in an aggregate principal amount of USD750,000,000 (the "2021 Notes"). The 2021 Notes carry interest at the rate of 7.25% per annum, payable semi-annually on 4 October and 4 April in arrears, and will mature on 4 October 2021, unless redeemed earlier.
 - (iii) On 27 May 2014, the Company issued senior notes in an aggregate principal amount of USD550,000,000 (the "2019 Notes I"). The 2019 Notes I carry interest at the rate of 7.875% per annum, payable semi-annually on 27 May and 27 November in arrears, and will mature on 27 May 2019, unless redeemed earlier.
 - (iv) On 5 June 2014, the Company issued senior notes in an aggregate principal amount of USD250,000,000 (the "2019 Notes II"). The 2019 Notes II were issued by way of private placement and carry interest at the rate of 7.5% per annum, payable semi-annually on 5 June and 5 December in arrears, and will mature on 5 June 2019.
 - (v) On 9 March 2015, the Company issued senior notes in an aggregated principal amount of USD900,000,000 (the "2020 Notes"). The 2020 Notes carry interest at the rate of 7.5% per annum, payable semi-annually on 9 March and 9 September in arrears, and will mature on 9 March 2020, unless redeemed earlier.
 - (vi) On 20 September 2016, the Company issued senior notes in an aggregated principal amount of USD650,000,000 (the "2023 Notes II"). The 2023 Notes carry interest at the rate of 4.75% per annum, payable semi-annually on 28 March and 28 September in arrears, and will mature on 28 September 2023, unless redeemed earlier.
 - (vii) On 7 December 2016, the Company issued senior notes in an aggregated principal amount of USD350,000,000 (the "2026 Notes"). The 2026 Notes carry interest at the rate of 5.625% per annum, payable semi-annually on 15 June and 15 December in arrears, and will mature on 15 December 2026, unless redeemed earlier.

23 Senior notes (Continued)

- (b) Except for the 2019 Notes II, all senior notes are listed on the Singapore Exchange Securities Trading Limited.

Except for the 2019 Notes II, all senior notes contain debt component and the early redemption options:

Debt component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 5.63%, 7.91%, 5.16%, 7.84%, 7.96%, 8.77% and 7.72% per annum to the debt component of the 2026 Notes, 2023 Notes I, 2023 Notes II, 2021 Notes, 2020 Notes, 2019 Notes I and 2019 Notes II respectively.

Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options was insignificant on initial recognition and at 31 December 2016 and 2015.

Except for the above early redemption option, the holders of the 2026 Notes have a put option to request the Company to repurchase their notes on 15 December 2021 at the price equal to 100% of the principle amounts of their notes. The directors consider that the fair value of this put option was insignificant on initial recognition and at 31 December 2016.

The fair value of the senior notes at 31 December 2016 was approximately RMB30,017,205,000 (2015: RMB21,600,831,000). The fair value is calculated using the market prices of the senior notes on the date of statement of financial position. The fair value measurement of the senior notes is categorised within level 1 of fair value hierarchy.

- (c) All of the Group's senior notes are subject to the fulfilment of covenants relating to certain of the Group's debt servicing financial indicators. The Group regularly monitors its compliance with these covenants. As at 31 December 2016, none of the covenants had been breached.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Corporate bonds

	2016 RMB'000	2015 RMB'000
As at 1 January	15,258,499	–
Additions	21,901,130	15,111,799
Accrued interest on par value for the year	1,216,800	142,861
Amortisation of the discount	43,857	3,949
Interest payment	(714,613)	–
Exchange differences	3,951	(110)
	37,709,624	15,258,499
Less: current portion included in current liabilities	(8,207,477)	–
Included in non-current liabilities	29,502,147	15,258,499

The Group's corporate bonds are repayable as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	8,207,477	–
Between 1 and 2 years	16,420,928	173,019
Between 2 and 5 years	13,081,219	15,085,480
	37,709,624	15,258,499

24 Corporate bonds (Continued)

(a) The Group's corporate bonds comprised the followings as at 31 December 2016:

Name of bond	Par value RMB'000	Interest rate	Issue date	Term of the bond	Net proceeds after issuance cost RMB'000	Effective interest rate per annum
RMB Corporate bonds of the Company issued in 2015	1,000,000	4.99%	29 December 2015	5 years	985,000	5.55%
RMB Corporate bonds tranche I of the Company issued in 2016	4,000,000	4.75%	2 March 2016	5 years	3,980,000	4.93%
RMB Corporate bonds tranche II of the Company issued in 2016	4,000,000	4.55%	29 March 2016	4 years	3,980,000	4.82%
RMB Corporate bonds tranche III of the Company issued in 2016	1,000,000	4.60%	2 August 2016	5 years	995,000	4.78%
RMB Corporate bonds tranche IV of the Company issued in 2016 – series I	4,170,000	4.15%	2 September 2016	4 years	4,152,903	4.37%
RMB Corporate bonds tranche IV of the Company issued in 2016 – series II	5,830,000	5.65%	2 September 2016	7 years	5,806,097	5.75%
RMB Corporate bonds I tranche I of Zengcheng Country Garden Property Development Co., Ltd. ("Zengcheng Country Garden") issued in 2015	3,000,000	4.20%	3 August 2015	3 years	2,989,500	4.33%
RMB Corporate bonds I tranche II of Zengcheng Country Garden issued in 2015	3,000,000	4.20%	12 August 2015	3 years	2,991,000	4.31%
RMB Corporate bonds II tranche I of Zengcheng Country Garden issued in 2015	4,000,000	4.95%	9 November 2015	4 years	3,985,200	5.15%
RMB Corporate bonds II tranche II of Zengcheng Country Garden issued in 2015	4,000,000	5.10%	7 December 2015	4 years	3,988,000	5.26%
RM Corporate bonds of Country Garden Real Estate Sdn. Bhd. issued in 2015	174,219	6.00%	30 December 2015	2 years	173,099	6.35%
RMB Corporate bonds of Guangdong Giant Leap Construction Co., Ltd. issued in 2016 – series I	1,000,000	3.20%	21 October 2016	4 years	995,710	3.43%
RMB Corporate bonds of Guangdong Giant Leap Construction Co., Ltd. issued in 2016 – series II	2,000,000	3.90%	21 October 2016	7 years	1,991,420	4.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Corporate bonds (Continued)

- (b) The RMB corporate bonds issued by Zengcheng Country Garden and Guangdong Giant Leap Construction Co., Ltd. were guaranteed by the Company.
- (c) The RM corporate bonds issued by Country Garden Real Estate Sdn. Bhd. were jointly guaranteed by the Company, Bright Start Group Ltd. and Top Favour Holdings Ltd. (both are wholly owned subsidiaries of the Company), and secured by all of Country Garden Real Estate Sdn. Bhd.'s present and future assets, a first ranking charge over shares by Bright Start Group Ltd. and Top Favour Holdings Ltd. over their respective shares in Country Garden Real Estate Sdn. Bhd., including but not limited to bonus shares, right shares and other new shares or rights entitlements.
- (d) The RMB corporate bonds II (tranche I and tranche II) issued by Zengcheng Country Garden, RMB corporate bonds issued by the Company and RMB corporate bonds issued by Guangdong Giant Leap Construction Co., Ltd. contain a debt component and coupon rate adjustment options:

Debt component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The directors consider that the fair values of the above coupon rate adjustment options were insignificant on initial recognition and at 31 December 2016.

Certain corporate bonds will mature within one year to the contractual repricing dates, which is included in current liability of the consolidated statement of financial position.

The fair values of the corporate bonds at 31 December 2016 were RMB36,994,390,000. The fair value measurement of RMB corporate bonds I tranche I and II issued by Zengcheng Country Garden and RMB corporate bonds issued by Guangdong Giant Leap Construction Co., Ltd. are categorised within level 1 of the fair value hierarchy as they are listed on Shanghai Stock Exchange. The fair value measurement of other corporate bonds is categorised within level 3 of the fair value hierarchy as they are private placements. The fair values of these corporate bonds are calculated based on the discounted cash flows of the principal and interest payments.

25 Bank and other borrowings

	2016 RMB'000	2015 RMB'000
Included in non-current liabilities:		
— secured	21,456,699	29,094,271
— unsecured	30,120,672	17,504,067
Less: current portion	(12,867,292)	(15,769,259)
	38,710,079	30,829,079
Included in current liabilities:		
— secured	7,433,863	2,807,099
— unsecured	10,211,570	4,201,680
Current portion of non-current liabilities	12,867,292	15,769,259
	30,512,725	22,778,038

The Group's borrowings as at 31 December 2016 of RMB26,802,562,000 (2015: RMB29,233,374,000), were jointly secured by certain properties, land use rights and equipment of the Group (notes 7, 8, 10 and 11) with total carrying values of RMB24,495,397,000 (2015: RMB23,704,691,000). The Group's borrowings as at 31 December 2016 of RMB2,088,000,000 (2015: RMB2,667,996,000) were guaranteed by the Company and secured by the Group's equity interests in certain subsidiaries.

The exposure of the Group's bank and other borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	2016 RMB'000	2015 RMB'000
6 months or less	56,119,929	53,423,551
6–12 months	27,720	25,464
1–5 years	102,513	158,102
	56,250,162	53,607,117

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 Bank and other borrowings (Continued)

At 31 December 2016, the Group's bank and other borrowings were repayable as follows:

	2016		2015	
	Bank borrowings RMB'000	Other borrowings RMB'000	Bank borrowings RMB'000	Other borrowings RMB'000
Within 1 year	26,073,952	4,438,773	22,727,111	50,927
Between 1 and 2 years	18,027,899	57,507	12,959,677	54,346
Between 2 and 5 years	18,065,035	45,006	17,219,084	103,756
Over 5 years	2,514,632	–	492,216	–
	64,681,518	4,541,286	53,398,088	209,029

The annual weighted average effective interest rates for the year ended 31 December were as follows:

	2016	2015
– Bank and other borrowings	6.01%	6.88%

The carrying amounts of the bank and other borrowings approximated their fair values as these borrowings are mainly floating-rate borrowings.

The carrying amounts of the bank and other borrowings are denominated in the following currencies:

	2016 RMB'000	2015 RMB'000
RMB	54,768,769	40,076,619
HKD	3,932,713	3,710,616
USD	8,190,914	7,131,060
RM	1,531,550	2,320,723
Other	798,858	368,099
	69,222,804	53,607,117

Certain of the Group's bank and other borrowings are subject to the fulfilment of covenants relating to certain of the Group's debt servicing financial indicators. The Group regularly monitors its compliance with these covenants. As at 31 December 2016, none of the covenants had been breached.

26 Share capital and premium

	Number of ordinary shares	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000	Treasury shares RMB'000	Group total RMB'000
Authorised							
At 1 January 2015, 31 December 2015 and 2016, HKD0.10 per share	100,000,000,000	10,000,000					
Issued and fully paid							
At 1 January 2015	20,351,819,782	2,035,182	1,940,004	22,702,279	24,642,283	(380,236)	24,262,047
Issue of shares	2,236,200,000	223,620	176,861	4,773,703	4,950,564	-	4,950,564
At 31 December 2015 and 1 January 2016	22,588,019,782	2,258,802	2,116,865	27,475,982	29,592,847	(380,236)	29,212,611
Buy-back of shares (note (a))	-	-	-	-	-	(3,535,394)	(3,535,394)
Cancellation of shares (note (a))	(981,277,000)	(98,128)	(84,486)	(3,046,223)	(3,130,709)	3,130,709	-
At 31 December 2016	21,606,742,782	2,160,674	2,032,379	24,429,759	26,462,138	(784,921)	25,677,217

(a) Buy-back and cancellation of shares

The Group bought back a total of 1,086,053,000 of the Company's shares during 2016, of which 981,277,000 shares have been cancelled as of 31 December 2016. The total consideration paid to buy back these shares was RMB 3,535,394,000, which has been deducted from equity attributable to the owners of the Company.

27 Employee share schemes

The share-based compensation expenses recognised are as follows:

	2016 RMB'000	2015 RMB'000
Share option scheme (note (a))	10,944	5,790
Share award scheme (note (b))	33,685	24,321
Deemed share-based compensation (note (c))	38,205	-
	82,834	30,111

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Employee share schemes (Continued)

(a) Share option scheme

On 30 November 2012, the Group granted 3,000,000 share options (adjusted to 3,044,358 as a result of a rights issue in 2014) with an exercise price of HKD3.7 per share (adjusted to HKD3.646 per share as a result of a rights issue in 2014) to certain independent non-executive directors. The options were vested immediately after the grant date and have a contractual option term of 10 years. The Group has no legal or contractual obligation to repurchase or settle the options in cash.

On 13 December 2013, the Group granted 6,173,457 share options (adjusted to 6,264,738 as a result of a rights issue in 2014) with an exercise price of HKD4.844 per share (adjusted to HKD4.773 per share as a result of a rights issue in 2014) to certain directors and employees in connection with a profit sharing incentive scheme (the "Incentive Scheme") adopted by the Group.

On 14 January 2016, 16 March 2016, 11 May 2016 and 19 August 2016, the Group granted 2,665,373, 2,431,903, 1,599,861 and 1,265,081 share options with exercise prices of HKD3.020, HKD3.332, HKD3.106 and HKD3.740 per share, respectively, to certain directors in connection with the Incentive Scheme.

Pursuant to the Incentive Scheme, certain portion of the bonus calculated in accordance with the Incentive Scheme is settled in cash, while the remaining portion is settled in the Company's shares as the consideration for the costs to exercise the share options. The vesting period of the above share options is 5 years from their respective grant dates. The fair value of these share options at the grant date approximated the portion of bonus which is to be settled in the Company's shares.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2016		2015	
	Weighted Average exercise price (HKD per share)	Number of options	Weighted Average exercise price ((HKD per share)	Number of options
At 1 January	4.382	8,765,026	4.397	9,141,015
Granted	3.250	7,962,218	–	–
Lapsed	3.020	(2,665,373)	4.773	(375,989)
At 31 December	3.997	14,061,871	4.382	8,765,026

None of the above share options were exercised in 2016 (2015: nil).

27 Employee share schemes (Continued)

(a) Share option scheme (Continued)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price in HKD per share	Number of share options
29 November 2022	3.646	3,044,358
12 December 2023	4.773	5,720,668
15 March 2026	3.332	2,431,903
10 May 2026	3.106	1,599,861
18 August 2026	3.740	1,265,081
		14,061,871

The Group has to estimate the expected percentage of grantees that will stay within the Group at the end of vesting periods (the "Expected Retention Rate") of the shares option scheme in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 31 December 2016, the Expected Retention Rate was assessed to be 100% (2015: 100%).

(b) Share award scheme

On 11 February 2015, 11 March 2015, 19 August 2015 and 9 December 2015, respectively, the Group granted 14,770,863, 6,128,293, 9,863,225 and 3,403,877 shares to certain senior management and employees (the "Awarded Shares").

On 15 March 2016, 11 May 2016, 18 August 2016 and 8 December 2016, respectively, the Board has resolved to grant 3,658,545, 5,365,064, 764,071 and 10,115,794 shares to certain senior management and employees.

Pursuant to the Incentive Scheme, certain portion of the bonus calculated in accordance with the Incentive Scheme is settled in cash, while the remaining portion is settled in the Company's shares. The vesting period of the Awarded Shares is 5 years from their respective grant date.

The Group planned to use treasury shares to award the grantees of the Awarded Shares. The Awarded Shares are held by a wholly owned subsidiary of the Group, on behalf of these senior management and employees until the end of vesting periods.

The fair value of these Awarded Shares at the grant date approximated the portion of bonus which is to be settled in the Company's shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Employee share schemes (Continued)

(b) Share award scheme (Continued)

Movements in the number of Awarded Shares are as follows:

	2016	2015
	Number of	Number of
	shares awarded	shares awarded
At 1 January	31,802,701	–
Granted	19,903,474	34,166,258
Lapsed	–	(2,363,557)
At 31 December	51,706,175	31,802,701

The Group has to estimate the Expected Retention Rate of the share award scheme in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 31 December 2016, the Expected Retention Rate was assessed to be 100% (2015: 100%).

(c) Issue of shares by a subsidiary

Tibet Shunqi Investment Centre (LLP) ("Shunqi LLP") was set up by certain directors, supervisors and senior management of Guangdong Country Garden Property Service Co., Ltd. ("Country Garden PS"), a subsidiary of the Company. In March 2016, Country Garden PS increased its registered capital by RMB28,800,000 in the form of issuing 28,800,000 ordinary shares, which were subscribed by Shunqi LLP at a consideration of RMB115,200,000. The RMB86,400,000 of excess of the consideration over the registered capital was accounted for as contributed surplus and recorded in other reserves.

Shunqi LLP was established to enable the key management personnel to hold the shares of Country Garden PS indirectly through Shunqi LLP, thus the issue of the 28,800,000 ordinary shares to Shunqi LLP falls into the scope of share-based payments and constitutes share-based compensation to employees settled by equity.

The fair value of the above shares issued is determined using income approach (discounted cash flow model), which was assessed to be RMB153,405,000 as at the issue date, the difference of RMB38,205,000 as compared to the consideration of RMB115,200,000 was accounted for as share-based compensation expense. The key assumptions used in determining the fair value mainly include:

- Discount rate of 12% per annum; and
- Lack of control discount rate of 10.28%.

28 Other reserves and retained earnings

	Merger reserve RMB'000 (note (a))	Statutory reserve RMB'000 (note (b))	Share option reserve RMB'000	AFS reserve RMB'000	Translation reserve RMB'000	Revaluation reserve RMB'000	Others RMB'000	Total RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2015	(149,801)	3,312,154	56,335	8,667	(42,668)	1,464,237	(405,476)	4,243,448	28,180,710	32,424,158
Profit for the year	-	-	-	-	-	-	-	-	9,276,485	9,276,485
Transfer to statutory reserves (note (b))	-	547,660	-	-	-	-	-	547,660	(547,660)	-
2014 final dividends and 2015 interim dividends	-	-	-	-	-	-	-	-	(4,773,575)	(4,773,575)
Currency translation differences	-	-	-	-	(827,849)	-	-	(827,849)	-	(827,849)
Employee share schemes										
– Value of employee service (notes 27 and 33)	-	-	30,111	-	-	-	-	30,111	-	30,111
Change in fair value of available-for- sale financial assets, net of tax	-	-	-	4,748	-	-	-	4,748	-	4,748
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	-	-	(55,979)	(55,979)	-	(55,979)
Balance at 31 December 2015	(149,801)	3,859,814	86,446	13,415	(870,517)	1,464,237	(461,455)	3,942,139	32,135,960	36,078,099

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Other reserves and retained earnings (Continued)

	Merger reserve RMB'000 (note (a))	Statutory reserve RMB'000 (note (b))	Share option reserve RMB'000	AFS reserve RMB'000	FATOCI reserve RMB'000	Translation reserve RMB'000	Revaluation reserve RMB'000	Cash flow hedge reserve RMB'000	Deferred costs of hedging reserve RMB'000	Others RMB'000	Retained		
											Total RMB'000	earnings RMB'000	Total RMB'000
Balance at 1 January 2016	(149,801)	3,859,814	86,446	13,415	-	(870,517)	1,464,237	-	-	(461,455)	3,942,139	32,135,960	36,078,099
Adjustment on adoption of HKFRS 9 (note 3)	-	-	-	(13,415)	13,415	-	-	-	-	-	-	(327,932)	(327,932)
Restated other reserves at 1 January 2016	(149,801)	3,859,814	86,446	-	13,415	(870,517)	1,464,237	-	-	(461,455)	3,942,139	31,808,028	35,750,167
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	11,516,815	11,516,815
Transfer to statutory reserves (note (b))	-	352,697	-	-	-	-	-	-	-	-	352,697	(352,697)	-
2015 final and 2016 interim dividends	-	-	-	-	-	-	-	-	-	-	-	(3,005,040)	(3,005,040)
Capital injection from non-controlling interests (note 27(c))	-	-	-	-	-	-	-	-	-	86,400	86,400	-	86,400
Employee share scheme - Value of employee service (notes 27 and 33)	-	-	44,629	-	-	-	-	-	-	38,205	82,834	-	82,834
Change in fair value of equity instruments at fair value through other comprehensive income, net of tax	-	-	-	-	45,921	-	-	-	-	-	45,921	-	45,921
Changes in ownership interests in subsidiaries without change of control (note 41)	-	-	-	-	-	-	-	-	-	(48,410)	(48,410)	-	(48,410)
Currency translation differences	-	-	-	-	-	228,380	-	-	-	-	228,380	-	228,380
Deferred gains on cash flow hedges, net of tax	-	-	-	-	-	-	-	89,982	-	-	89,982	-	89,982
Deferred costs of hedging, net of tax	-	-	-	-	-	-	-	-	(295,901)	-	(295,901)	-	(295,901)
Balance at 31 December 2016	(149,801)	4,212,511	131,075	-	59,336	(642,137)	1,464,237	89,982	(295,901)	(385,260)	4,484,042	39,967,106	44,451,148

Notes:

- (a) Merger reserve of the Group represented the difference between the share capital of subsidiaries acquired pursuant to a group reorganisation undertaken for the listing of Company on the main board of the Stock Exchange in 2007 over the nominal value of shares of the Company issued in exchange thereof.
- (b) Pursuant to the relevant rules and regulations governing foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, the subsidiaries are required to transfer certain portion of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their respective registered capital.

29 Perpetual capital securities

	2016 RMB'000	2015 RMB'000
Balance as at 1 January	19,528,000	3,090,000
Securities issued during the year	–	16,838,000
Redemption	(19,528,000)	(400,000)
Profit for the year	1,409,534	356,104
Distribution for the year	(1,409,534)	(356,104)
Balance as at 31 December	–	19,528,000

In 2015, certain subsidiaries (the "Issuing Subsidiaries") of the Group issued subordinated unlisted perpetual capital securities (the "Perpetual Capital Securities") to certain financial institutions in the PRC.

The Perpetual Capital Securities were jointly guaranteed by the Company and Issuing Subsidiaries and secured by pledges of the shares of Issuing Subsidiaries. They did not have maturity date and the distribution payments could be deferred at the discretion of the Issuing Subsidiaries. The Perpetual Capital Securities were classified as equity instruments and recorded in non-controlling interests in the consolidated statement of financial position.

During the year ended 31 December 2016, the Issuing Subsidiaries declared distributions of totalling RMB1,409,534,000 (2015: RMB356,104,000) to the holders of the Perpetual Capital Securities, of which RMB272,721,000 (2015: RMB55,605,000) has not been paid and recorded in other payables as at 31 December 2016.

During the year of 2016, all perpetual capital securities of the Group, amounting to RMB19,528,000,000, have been repaid in cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Deferred income tax

The analysis of deferred tax assets and liabilities is as follows:

	2016 RMB'000	2015 RMB'000
Deferred income tax assets:		
– to be realised after more than 12 months	3,202,375	1,610,778
– to be realised within 12 months	4,619,938	2,176,164
	7,822,313	3,786,942
Deferred income tax liabilities:		
– to be settled after more than 12 months	(6,262,382)	(3,510,843)
– to be settled within 12 months	(665,922)	(304,874)
	(6,928,304)	(3,815,717)
	894,009	(28,775)

The movement on the net deferred income tax account is as follows:

	2016 RMB'000	2015 RMB'000
Beginning of the year	(28,775)	182,135
Acquisition of subsidiaries (note 43)	(2,170,554)	(681,166)
Charged to other comprehensive income	(7,853)	(1,583)
Recognised in profit or loss (note 35)	3,101,191	471,839
End of the year	894,009	(28,775)

30 Deferred income tax (Continued)

Movement in deferred tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred income tax assets:

	Impairment of assets RMB'000	Fair value loss from business combination RMB'000	Recognition of expenses RMB'000	Elimination of unrealised profits RMB'000	Tax losses RMB'000	Prepaid income tax RMB'000	Total RMB'000
At 1 January 2015	-	-	77,217	1,396,306	1,296,588	-	2,770,111
Acquisition of subsidiaries	-	15,887	-	-	7,664	-	23,551
(Charged)/Credited to profit or loss	-	-	(52,516)	(149,566)	1,195,362	-	993,280
At 31 December 2015	-	15,887	24,701	1,246,740	2,499,614	-	3,786,942
At 1 January 2016	-	15,887	24,701	1,246,740	2,499,614	-	3,786,942
Acquisition of subsidiaries (note 43)	-	67,105	-	-	-	-	67,105
Credited to profit or loss	188,156	-	58,650	3,677	1,903,962	1,813,821	3,968,266
At 31 December 2016	188,156	82,992	83,351	1,250,417	4,403,576	1,813,821	7,822,313

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets as at 31 December 2016 of RMB8,563,000 (2015: RMB6,333,500) in respect of accumulated tax losses amounting to RMB34,253,000 as at 31 December 2016 (2015: RMB25,334,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Deferred income tax (Continued)

Deferred income tax liabilities:

	Fair value gain from business combination	Recognition of construction contract revenue and contract costs	Withholding income tax on profit to be distributed in future	Fair value gains on investment properties	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	(99,270)	(1,087,177)	(443,441)	(958,088)	–	(2,587,976)
Acquisition of subsidiaries	(704,717)	–	–	–	–	(704,717)
Charged to other comprehensive income	–	–	–	–	(1,583)	(1,583)
Credited/(Charged) to profit or loss	29,986	(239,831)	(99,955)	(211,641)	–	(521,441)
At 31 December 2015	(774,001)	(1,327,008)	(543,396)	(1,169,729)	(1,583)	(3,815,717)
At 1 January 2016	(774,001)	(1,327,008)	(543,396)	(1,169,729)	(1,583)	(3,815,717)
Acquisition of subsidiaries (note 43)	(2,237,659)	–	–	–	–	(2,237,659)
Charged to other comprehensive income	–	–	–	–	(7,853)	(7,853)
Credited/(Charged) to profit or loss	205,122	(904,807)	(40,628)	(69,775)	(56,987)	(867,075)
At 31 December 2016	(2,806,538)	(2,231,815)	(584,024)	(1,239,504)	(66,423)	(6,928,304)

Note:

As at 31 December 2016, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside PRC, for which no deferred income tax liability had been provided, were approximately RMB41,627,058,000 (2015: RMB33,844,170,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's estimation of overseas funding requirements.

31 Other income and gains – net

	2016 RMB'000	2015 RMB'000
Refund of land usage tax and other government grants	16,697	183,690
Gains arising from negative goodwill (note 43)	1,257,658	118,315
Forfeiture of advances received from customers	19,626	68,232
Changes in fair value of derivative financial instruments	149,827	7,845
Gains on disposal of subsidiaries (note 42)	36,980	1,547
Gains/(losses) on disposals of property, plant and equipment	18,722	(1,347)
Others	30,955	45,703
	1,530,465	423,985

32 Expenses by nature

	2016 RMB'000	2015 RMB'000
Auditor's remuneration	17,141	15,710
— Audit services	11,280	9,950
— Non-audit services	5,861	5,760
Advertising costs	3,873,047	1,391,167
Amortisation of intangible assets (note 9)	19,063	10,568
Provision for impairment of trade and other receivables	88,371	–
Business taxes and other levies (note (b))	6,374,273	6,872,861
Costs of completed properties sold	113,131,527	82,330,852
Donations (note (a))	420,009	83,038
Depreciation (note 7)	697,462	596,576
Employee benefit expenses (note 33)	6,464,200	4,955,937
Land use rights amortisation (note 10)	60,731	57,149
Rental expenses	290,954	166,339
Others	1,768,095	1,797,863
Total cost of sales, selling and marketing costs and administrative expenses	133,204,873	98,278,060

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Expenses by nature (Continued)

Note:

- (a) During the year, RMB386,200,000 of the Group's donations were made through Guoqiang Public Welfare Foundation of Guangdong Province of which certain directors of the Group are also directors of the foundation.
- (b) Pursuant to the 'Circular on the Overall Promotion of Pilot Program of Levying VAT in place of Business Tax' ("Cai Shui 2016 No. 36") jointly issued by the Ministry of Finance and the State Administration of Taxation, the PRC subsidiaries of the Group are subject to value added tax ("VAT") from 1 May 2016 on their revenues instead of business tax. The applicable tax rates are as follows:

Category	Rate of VAT
Sale of properties (i)	5%, 11%
Property construction, fitting and decoration (ii)	3%, 11%
Property investment (i)	5%, 11%
Property management (ii)	3%, 6%
Hotel service (ii)	3%, 6%

- (i) According to the Circular CaiShui 2016 No. 36, VAT for sales of properties and income from property investment, in the case that the construction of properties commenced or the investment property was acquired before 1 May 2016, is calculated at a tax rate of 5% based on a simple method. Otherwise, the VAT is calculated at a tax rate of 11%.
- (ii) According to the Circular CaiShui 2016 No. 36, VAT for general VAT payer and small-scale VAT payer is 11% and 3% of property construction, fitting and decoration, respectively, and 6% and 3% for property management and hotel service, respectively.

33 Employee benefit expenses

	2016 RMB'000	2015 RMB'000
Wages and salaries	10,115,129	7,317,496
Contributions to pension plans (note (a))	69,928	50,317
Staff welfare	159,842	115,015
Medical benefits	139,861	100,638
Share-based compensation expenses	82,834	30,111
Other allowances and benefits	39,959	28,752
	10,607,553	7,642,329
Less: capitalised in properties under development	(4,143,353)	(2,686,392)
	6,464,200	4,955,937

(a) Contributions to pension plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal governments. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal governments to the scheme to fund the retirement benefits of the employees.

33 Employee benefit expenses (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2015: four) directors whose emoluments are reflected in the analysis shown in note 48. The emoluments payable to the remaining three (2015: one) individual during the year are as follows:

	2016	2015
	RMB'000	RMB'000
Salaries and other benefits	5,331	1,746
Bonuses	101,072	16,162
Share-based compensation expenses	2,682	5,661
Contributions to pension plans	154	31
	109,239	23,600

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
HKD29,000,001 to HKD29,500,000	–	1
HKD30,000,001 to HKD30,500,000	1	–
HKD46,000,001 to HKD46,500,000	1	–
HKD50,500,001 to HKD51,000,000	1	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 Finance costs – net

	2016 RMB'000	2015 RMB'000
Finance income:		
– Interest income on short-term bank deposits	532,870	221,079
Finance costs:		
– Interest expense:		
– Bank and other borrowings	(3,741,134)	(3,033,909)
– Senior notes	(1,731,150)	(1,880,984)
– Corporate bonds	(1,260,657)	(146,810)
– Receipts under securitisation arrangements	(143,810)	–
	(6,876,751)	(5,061,703)
Less: amounts capitalised on qualifying assets	6,733,712	5,061,703
	(143,039)	–
– Net foreign exchange losses on financing activities	(2,747,572)	(1,640,840)
– Reclassified from cash flow hedge reserves	1,332,303	–
– Reclassified from deferred cost of hedging reserves	(69,867)	–
Less: amounts capitalised on qualifying assets	–	437,620
	(1,485,136)	(1,203,220)
– Loss on early redemption of senior notes	–	(307,369)
	(1,628,175)	(1,510,589)
Finance costs – net	(1,095,305)	(1,289,510)

35 Income tax expenses

	2016 RMB'000	2015 RMB'000
Current income tax		
– Corporate income tax	7,713,554	4,482,128
– Land appreciation tax (note (d))	3,114,986	1,111,139
	10,828,540	5,593,267
Deferred income tax (note 30)		
– Corporate income tax	(3,141,819)	(571,794)
– Withholding income tax on profit to be distributed in future (note (e))	40,628	99,955
	(3,101,191)	(471,839)
	7,727,349	5,121,428

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group companies as follows:

	2016 RMB'000	2015 RMB'000
Profit before income tax	21,390,572	14,833,109
Tax calculated at PRC corporate income tax rate of 25% (2015: 25%)	5,347,643	3,708,277
Different tax rates available to different subsidiaries of the Group	60,827	–
Land appreciation tax deductible for calculation of income tax purpose	(778,747)	(277,785)
Utilisation of tax losses not recognised as deferred income tax assets	(2,229)	(2,613)
Effects of share of post-tax results of joint ventures and associates	(90,426)	13,940
Income not subject to tax	(358,605)	(4,472)
Expenses not deductible for tax	393,272	472,987
	4,571,735	3,910,334
Withholding income tax on profit to be distributed in future (note (e))	40,628	99,955
Land appreciation tax (note (d))	3,114,986	1,111,139
Income tax expenses	7,727,349	5,121,428

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 Income tax expenses (Continued)

Note:

- (a) Hong Kong profits tax has been provided at the rate of 16.5% (2015:16.5%) on the estimated assessable profits of the Group's subsidiaries in Hong Kong.
- (b) PRC corporate income tax has been provided at corporate income tax rate of 25%.
- (c) Malaysia profits tax has been provided at the rate of 24% (2015: 25%) of the estimated assessable profit for the year.
- (d) PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.
- (e) Withholding income tax is provided on the dividends to be distributed by the PRC subsidiaries of the Group. The relevant overseas holding companies have successfully obtained endorsement from various PRC tax bureaus to enjoy the treaty benefit of 5% withholding income tax rate on dividends received from the PRC subsidiaries of the Group. Accordingly, withholding income tax has been provided at 5% of the dividends to be distributed by the PRC subsidiaries of the Group.

36 Dividends

	2016 RMB'000	2015 RMB'000
Interim dividend of RMB6.92 cents (2015: RMB6.48 cents) per share	1,556,610	1,463,704
Proposed final dividend of RMB10.20 cents (2015: RMB6.47 cents) per share	2,177,317	1,448,430

On 18 August 2016, the Board of Directors declared the payment of a 2016 interim dividend of RMB6.92 cents per share, totalling RMB1,556,610,000 which was paid in cash in November 2016 (2015 interim dividend: RMB1,463,704,000).

The final dividend in respect of 2015 of RMB6.47 cents (equivalent to HKD7.68 cents) per share, totalling RMB1,448,430,000, has been approved in the Annual General Meeting on 24 May 2016 and paid in cash in July 2016.

The Board of Directors recommended the payment of a 2016 final dividend of RMB10.20 cents per share, totalling RMB2,177,317,000, which has taken into account the effect of the buy-back of the Company's shares subsequent to 31 December 2016 and up to the date of these financial statements. Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable.

37 Cash generated from/(used in) operations

	2016 RMB'000	2015 RMB'000
Profit for the year	13,663,223	9,711,681
Adjustments for:		
Income tax expenses (note 35)	7,727,349	5,121,428
Interest income (note 34)	(532,870)	(221,079)
Interest expense (note 34)	143,039	–
Loss on early redemption of senior notes (note 34)	–	307,369
Net foreign exchange losses (note 34)	1,485,136	1,203,220
Depreciation (note 7)	697,462	596,576
Amortisation of land use rights (note 10)	60,731	57,149
Amortisation of intangible assets (note 9)	19,063	10,568
(Gains)/losses on disposals of property, plant and equipment (note 31)	(18,722)	1,347
Provision for impairment of trade and other receivables	88,371	–
Share of (profits)/losses of joint ventures and associates (note 12)	(361,704)	55,758
Gains arising from changes in fair value of and transfer to investment properties (note 8)	(711,604)	(809,812)
Share-based compensation expense (note 33)	82,834	30,111
Dividend income from available-for-sale financial assets	–	(9,560)
Gains arising from negative goodwill (note 43)	(1,257,658)	(118,315)
Changes in fair value of derivative financial instruments (notes 31)	(149,827)	(7,845)
Gains on disposals of subsidiaries (note 31)	(36,980)	(1,547)
Gains on disposal of investment properties	–	(13,156)
	20,897,843	15,913,893
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries and currency exchange differences on consolidation):		
Property under development and completed properties held for sale	(43,515,665)	(38,278,986)
Inventories	(225,290)	116,706
Restricted cash	(206,862)	(3,183,636)
Trade and other receivables	(71,902,317)	(14,796,926)
Prepaid taxes	(521,689)	(272,767)
Trade and other payables	64,482,987	30,837,529
Advanced proceeds received from customers	88,294,136	3,175,599
Cash generated from/(used in) operations	57,303,143	(6,488,588)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 Cash generated from/(used in) operations (Continued)

In the consolidated cash flow statement, proceeds from disposals of property, plant and equipment and investment properties comprise:

	2016 RMB'000	2015 RMB'000
Property, plant and equipment		
Net book amount (note 7)	213,643	256,794
Gains/(losses) on disposals (note 31)	18,722	(1,347)
Proceeds	232,365	255,447
Investment properties		
Net book amount (note 8)	-	143,245
Gains on disposals	-	13,156
Proceeds	-	156,401

38 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares (note 26).

	2016	2015
Profit attributable to owners of the Company (RMB'000)	11,516,815	9,276,485
Weighted average number of ordinary shares in issue (thousands)	22,075,611	21,806,325
Earnings per share — Basic (RMB cents per share)	52.17	42.54

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had two categories of dilutive potential ordinary shares: share options and the Awarded Shares. For the share options and Awarded Shares, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and Awarded Shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and Awarded Shares.

38 Earnings per share (Continued)

(b) Diluted (Continued)

	2016	2015
Profit attributable to owners of the Company (RMB'000)	11,516,815	9,276,485
Weighted average number of ordinary shares in issue (thousands)	22,075,611	21,806,325
Adjustments — share options and Awarded Shares (thousands)	16,560	7,471
Weighted average number of ordinary shares for diluted earnings per share (thousands)	22,092,171	21,813,796
Earnings per share — Diluted (RMB cents per share)	52.13	42.53

39 Guarantees

	2016 RMB'000	2015 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers (note (a))	127,502,653	60,636,156
Guarantees to joint ventures and associates in respect of borrowings (note (b))	18,617,370	1,781,900
	146,120,023	62,418,056

Note:

- (a) These represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. As at 31 December 2016, there was no guarantee (2015: RMB50,841,000) to be discharged two years from the day the mortgaged loans become due; and RMB127,502,653,000 (2015: RMB60,585,315,000) was to be discharged upon the earlier of (i) issuance of the real estate ownership certificate which are generally available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the purchasers of properties.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty (note 5(d)) and therefore no provision has been made in the financial statements for the guarantees.

- (b) These represented the maximum exposure of the guarantees provided for the borrowings of certain joint ventures and associates (note 44(a)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 Commitments

(a) Commitments for capital and property development expenditures

	2016 RMB'000	2015 RMB'000
Contracted but not provided for:		
Property, plant and equipment	17,178	45,753
Property development expenditure (including land premium)	94,916,269	84,779,569
	94,933,447	84,825,322

(b) Operating lease commitments

The lease terms are between 1 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings are as follows:

	2016 RMB'000	2015 RMB'000
Not later than one year	56,445	41,080
Later than one year and not later than five years	76,198	30,884
Later than five years	23,991	6,125
	156,634	78,089

(c) Operating lease rentals receivable

The lease terms are between 1 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of buildings are as follows:

	2016 RMB'000	2015 RMB'000
Not later than one year	131,731	93,308
Later than one year and not later than five years	460,477	437,225
Later than five years	588,544	586,023
	1,180,752	1,116,556

41 Transactions with non-controlling interests

(a) Acquisition of additional interests in subsidiaries

In 2016, the Group acquired additional equity interests of certain subsidiaries from the relevant non-controlling interests for a total cash consideration of RMB244,671,000.

The following table summarises the carrying amount of non-controlling interests acquired, considerations paid to non-controlling interests and excess of consideration paid recognised within equity of these subsidiaries at the acquisition dates.

	2016 RMB'000
Total carrying amount of non-controlling interests acquired	196,261
Total consideration paid to non-controlling interests	(244,671)
Total difference recognised within equity	(48,410)

(b) Disposal of interests in subsidiaries without loss of control

During the year, the Group disposed of certain equity interests of certain subsidiaries for a total cash consideration of RMB52,000,000. The carrying amount of the non-controlling interests in the subsidiaries on the date of disposal was RMB52,000,000. The Group recognised an increase in non-controlling interests of RMB52,000,000. As at 31 December 2016, RMB12,000,000 of the above consideration has been received, the remaining portion will be received in 2017.

(c) The aggregate effects of the above transactions with non-controlling interests on the equity attributable to owners of the Company for the year ended 31 December 2016:

	RMB'000
Changes in equity attributable to owners of the Company arising from:	
– Acquisition of additional interests in subsidiaries	(48,410)
– Disposal of interests in subsidiaries without loss of control	–
Net effect for transactions with non-controlling interests on equity attributable to owners of the Company	(48,410)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 Disposal of subsidiaries

During the year, the Group disposed of interests in a number of subsidiaries to certain third parties. Details of the disposals are as follows:

	RMB'000
Disposal consideration	
— Cash received	7,000
— Outstanding and included in other receivables	37,525
— Fair value of investments in joint ventures and associates held after disposal of certain subsidiaries	59,144
	103,669
Total net assets of subsidiaries disposed of	78,342
Non-controlling interest disposed of	(11,653)
	66,689
Gains on disposal	36,980
Cash proceeds from disposal, net of cash disposed of	
— Cash consideration received	7,000
— Less: cash and cash equivalents in the subsidiaries disposed of	(602,296)
— Net cash outflow on disposal	(595,296)

43 Business combination

Business combination during the year mainly included the acquisitions of a number of property development companies and acquisition of additional interest in joint ventures and associates. The directors of the Company consider that none of these subsidiaries acquired during the year was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition date was not disclosed.

The acquired companies' principal activities are property development and management and construction in the PRC. The financial information of these acquired companies on the acquisition date is listed as follows:

43 Business combination (Continued)

(a) Business combination with negative goodwill

	RMB'000
Purchase consideration	
— Cash paid	5,661,476
— Cash consideration outstanding and included in other payables	267,921
— Fair value of investment in joint ventures and associates held before business combination	2,024,527
	7,953,924
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	2,806,035
Property, plant and equipment	76,948
Properties under development and completed properties held for sale	30,126,430
Trade and other receivables	7,212,031
Deferred tax assets	67,105
Bank and other borrowings	(3,636,279)
Trade and other payables	(12,540,108)
Advanced proceeds received from customers	(8,346,753)
Current income tax liabilities	(1,465,599)
Deferred tax liabilities	(2,199,622)
	12,100,188
Total identifiable net assets	12,100,188
Non-controlling interests	(2,888,606)
Negative goodwill	(1,257,658)
	7,953,924
Outflow of cash to acquire business, net of cash acquired	
— cash considerations	5,661,476
— cash and cash equivalents in the subsidiaries acquired	(2,806,035)
	2,855,441
Cash outflow on acquisitions	2,855,441

Gains arising from negative goodwill was mainly due to the fact that the sellers had the intention to exit from their investments in these acquired businesses due to various operational reasons or other shareholders intended to cooperate with a leading property developer in the PRC to resolve liquidity issues or bring in industry expertise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43 Business combination (Continued)

(b) Business combination with goodwill

	RMB'000
Purchase consideration	
— Cash	267,687
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	666
Property, plant and equipment	80
Properties under development and completed properties held for sale	174,398
Trade and other receivables	4,744
Trade and other payables	(1,283)
Current income tax liabilities	(8)
Deferred tax liabilities	(38,037)
Total identifiable net assets	140,560
Goodwill	127,127
	267,687
Outflow of cash to acquire business, net of cash acquired	
— cash considerations	267,687
— cash and cash equivalents in the subsidiaries acquired	(666)
Cash outflow on acquisitions	267,021

The goodwill of RMB127,127,000 arose from the acquisition of 100% share interest in Baodi (Xiamen) Logistic Co., Ltd ("Baodi"), which is mainly attributable to economies of scales expected from combining the operations of the Group and Baodi.

- (c) The acquired businesses contributed total revenues of RMB5,113,251,000 and net loss of RMB216,316,000 to the Group for the period from their respective acquisition dates to 31 December 2016. Has these companies been consolidated from 1 January 2016, the consolidated statement of comprehensive income would show pro-forma revenue of RMB159,729,831,000 and profit for the year of RMB13,070,842,000.

44 Related party transactions

The Company is ultimately controlled by Ms. Yang Huiyan (the "Ultimate Controlling Shareholder").

Apart from those related party transactions disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties.

(a) Transactions with related parties

	2016 RMB'000	2015 RMB'000
(i) Controlled by the Ultimate Controlling Shareholder		
Purchase of design service	1,055,012	915,751
Other transactions	9,063	4,323
	1,064,075	920,074
(ii) Controlled by certain directors of the Company		
Construction and decoration service income	124,791	85,617
Other transactions	5,059	5,210
	129,850	90,827
(iii) Associates		
Providing guarantee in respect of borrowings	6,804,250	1,781,900
Construction and decoration service income	703,919	93,425
Other transactions	26,080	–
	7,534,249	1,875,325
(iv) Joint ventures		
Providing guarantee in respect of borrowings	11,813,120	–
Construction and decoration service income	507,670	103,900
Other transactions	50,853	–
	12,371,643	103,900

The prices for the above design service fees, construction and decoration service fees, and other transactions were determined in accordance with the terms of the underlying agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44 Related party transactions (Continued)

(b) Key management compensation

Key management includes directors, chief executive officer and other senior executives.

	2016 RMB'000	2015 RMB'000
Salaries, share-based compensation expenses and other employee benefits	66,471	69,181
Bonuses	34,870	22,161
Retirement scheme contributions	749	692
Other benefits	5,851	4,910
	107,941	96,944

(c) Balances with related parties

Saved as disclosed in other notes above, the Group had the following significant balances with its related parties:

(i) Controlled by the Ultimate Controlling Shareholder

	31 December 2016 RMB'000	31 December 2015 RMB'000
Trade receivables	17,705	–
Amounts due from customers of contract work	19,568	–
Other receivables	56,144	296,408
Prepayments	48,497	–
Trade and other payables	271,479	2,022,613

(ii) Controlled by certain directors of the Company

Trade receivables	200,310	–
Amounts due from customers of contract work	50,251	225,513
Other receivables	15,934	964,104
Trade and other payables	76,427	27,224

44 Related party transactions (Continued)

(c) Balances with related parties (Continued)

(iii) Associates

	31 December 2016 RMB'000	31 December 2015 RMB'000
Trade receivables	258,559	–
Amounts due from customers of contract work	158,544	72,570
Other receivables	8,928,396	2,923,452
Prepayments	381	–
Trade and other payables	12,910,341	220,076

(iv) Joint ventures

Trade receivables	188,169	–
Amounts due from customers of contract work	169,608	45,130
Other receivables	8,568,473	413,693
Trade and other payables	14,262,739	225,054
Entrusted loans	–	775,971

The above balances due from/to related parties are unsecured, interest-free and to be settled according to the contract terms.

45 Subsequent events

From 1 January 2017 and up to the date of these financial statements, the Company has bought back 148,126,000 shares of the Company from the market for a total consideration of RMB558,754,000 and cancelled 252,902,000 shares of the Company, of which 104,776,000 shares were bought back in 2016 and 148,126,000 shares were bought back in 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 Statement of financial position and reserve movement of the Company

	Note	As at 31 December	
		2016 RMB'000	2015 RMB'000
Non-current assets			
Investments in subsidiaries		38,798,506	36,553,247
Derivative financial instruments		1,034,387	–
Financial assets at fair value through other comprehensive income		305,514	–
		40,138,407	36,553,247
Current assets			
Amounts due from subsidiaries		60,805,009	29,104,296
Other receivables		393,235	393,151
Cash and cash equivalents		2,220,930	441,122
Derivative financial instruments		187,145	–
		63,606,319	29,938,569
Current liabilities			
Amounts due to subsidiaries		12,671,372	1,936,983
Other payables		344,997	344,997
Bank and other borrowings		3,510,577	883,964
Derivative financial instruments		41,762	–
		16,568,708	3,165,944
Net current assets		47,037,611	26,772,625
Total assets less current liabilities		87,176,018	63,325,872

46 Statement of financial position and reserve movement of the Company (Continued)

	Note	As at 31 December	
		2016 RMB'000	2015 RMB'000
Non-current liabilities			
Senior notes		29,264,448	20,878,179
Bank and other borrowings		8,944,606	10,007,668
Corporate bonds		20,402,799	985,449
		58,611,853	31,871,296
Equity			
Share capital and premium		26,126,813	29,619,181
Other reserves	(a)	(46,808)	86,446
Retained earnings	(a)	2,484,160	1,748,949
Total equity		28,564,165	31,454,576
Total equity and non-current liabilities		87,176,018	63,325,872

The statement of financial position of the Company was approved by the Board of Directors on 22 March 2017 and were signed on its behalf.

MO Bin
Director

YANG Ziyang
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 Statement of financial position and reserve movement of the Company (Continued)

Note (a) Reserve movement of the Company

	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2015	56,335	3,446,412	3,502,747
Profit for the year	–	3,076,112	3,076,112
Dividends	–	(4,773,575)	(4,773,575)
Employee share schemes — value of employee services	30,111	–	30,111
At 31 December 2015	86,446	1,748,949	1,835,395
At 1 January 2016	86,446	1,748,949	1,835,395
Profit for the year	–	3,740,251	3,740,251
Deferred gains on cash flow hedges, net of tax	89,982	–	89,982
Deferred costs of hedging, net of tax	(295,901)	–	(295,901)
Dividends	–	(3,005,040)	(3,005,040)
Employee share schemes value of employee services	44,629	–	44,629
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	28,036	–	28,036
At 31 December 2016	(46,808)	2,484,160	2,437,352

47 Particulars of principal subsidiaries

The following is a list of principal subsidiaries at 31 December 2016, all of these are limited liability companies:

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Directly held by the Company:					
Incorporated in the BVI and operates in the PRC:					
Smart World Development Holdings Ltd.	28 March 2006	USD 300	100%	–	Investment holding
Indirectly held by the Company:					
Incorporated in Hong Kong and operates in Hong Kong:					
Country Garden (Hong Kong) Development Company Limited	21 September 2005	HKD1	100%	–	Investment holding
Incorporated in the BVI and operate in Hong Kong:					
Estonia Development Ltd.	21 March 2006	USD 200	100%	–	Investment holding and rendering of property related sales services
Angel View International Limited	7 April 2006	USD 200	100%	–	Investment holding and rendering of property related sales services
Incorporated in the BVI and operate in the PRC:					
Falcon Investments Development Ltd.	21 March 2006	USD 300	100%	–	Investment holding
United Gain Group Ltd.	28 March 2006	USD 200	100%	–	Investment holding
Wise Fame Group Ltd.	28 March 2006	USD 300	100%	–	Investment holding
Boavista Investments Limited	7 April 2006	USD 200	100%	–	Investment holding
Impreza Group Limited	7 April 2006	USD 300	100%	–	Investment holding
Infiniti Holdings Development Limited	7 April 2006	USD 300	100%	–	Investment holding
Bright Start Group Limited	19 July 2011	USD 1	100%	–	Investment holding
Pure Smart Enterprises Limited	19 July 2011	USD 1	100%	–	Investment holding
Top Favor Holding Limited	19 July 2011	USD 1	100%	–	Investment holding
Golden Favor Investments Limited	19 July 2011	USD 1	100%	–	Investment holding
Power Great Enterprise Limited	10 December 2007	USD 1	100%	–	Investment holding
Great Favor Investments Limited	16 July 2013	USD 1	100%	–	Investment holding
Silver Dawn Holding Limited	23 January 2014	USD 1	100%	–	Investment holding
Tin Spring Limited	15 June 2015	USD 1	100%	–	Investment holding
Scenic Reserve Limited	2 October 2015	USD 1	100%	–	Investment holding

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47 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Established and operate in the PRC:					
Guangdong Yaokang Investment Co., Ltd. 廣東耀康投資有限公司	20 April 2015	RMB1,200,000,000	100%	–	Investment
Liyang Country Garden Trade And Business Co., Ltd. 溧陽碧桂園商貿有限公司(i)	19 October 2016	USD82,330,000	100%	–	Sale of hardware electrical
Guangdong Giant Leap Construction Co., Ltd. 廣東騰越建築工程有限公司	25 March 1997	RMB4,900,000,000	100%	–	Construction
Sanming Country Garden Property Development Co., Ltd. 三明市碧桂園房地產開發有限公司	26 August 2013	RMB100,000,000	100%	–	Property development
Shanghai Xinbi Garden Property Development Co., Ltd. 上海新碧房地產開發有限公司	26 August 2015	RMB20,000,000	100%	–	Property development
Dongguan Country Garden Property Development Co., Ltd. 東莞市碧桂園房地產開發有限公司	25 September 2009	RMB666,660,000	90%	10%	Property development
zhangjiagang Xinbi Garden Property Development Co., Ltd. 張家港新碧房地產開發有限公司	29 December 2015	RMB20,000,000	60%	40%	Property development
Foshan Chancheng Country Garden Property Development Co., Ltd. 佛山市禪城區碧桂園房地產開發有限公司	13 November 2009	RMB1,000,000,000	90%	10%	Property development
Foshan Shunde Daliang Country Garden Property Development Co., Ltd. 佛山市順德區大良碧桂園房地產開發有限公司	11 April 2014	USD40,000,000	100%	–	Property development
Foshan Shunde zhouhua Country Garden Property Development Co., Ltd. 佛山市順德區宙華投資諮詢有限公司	12 November 2012	RMB13,241,966,520	100%	–	Investment consulting
Foshan Shunde Country Garden Property Co., Ltd. 佛山市順德區碧桂園地產有限公司	20 April 2015	RMB13,292,986,520	100%	–	Property development

47 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Foshan Shunde Country Garden Property Development Co., Ltd. 佛山市順德區碧桂園物業發展有限公司	2 April 1997	RMB1,387,500,000	100%	–	Property development
Foshan Gaoming Country Garden Property Development Co., Ltd. 佛山市高明區碧桂園房地產開發有限公司	13 January 2004	RMB1,162,500,000	100%	–	Property development
Foshan Yuankang Property Development Co., Ltd. 佛山源康房地產發展有限公司(i)	29 February 2008	RMB1,310,000,000	100%	–	Property development
Jurong Country Garden Property Development Co., Ltd. 句容碧桂園房地產開發有限公司	12 August 2010	USD564,500,000	100%	–	Property development
Qidong Zhongbang Property Development Co., Ltd. 啟東中邦房地產開發有限公司(i)	26 October 2006	RMB300,000,000	84%	16%	Property development
Zengcheng Country Garden Property Development Co., Ltd. 增城市碧桂園物業發展有限公司	22 September 2000	RMB1,448,200,000	100%	–	Property development
Tianjin Haichang Property Development Co., Ltd. 天津海昌房地產開發有限公司(i)	24 September 2007	RMB204,955,460	51%	49%	Property development
Taicang Loucheng Country Garden Property Development Co., Ltd. 太倉婁城碧桂園房地產開發有限公司(i)	30 June 2016	RMB300,000,000	100%	–	Property development
Taicang Country Garden Property Development Co., Ltd.* 太倉碧桂園房地產開發有限公司	5 May 2013	RMB700,000,000	43%	57%	Property development
Anqing Country Garden Property Development Co., Ltd. 安慶碧桂園房地產開發有限公司	27 September 2007	RMB740,000,000	100%	–	Property development
Anhui Hexian Country Garden Property Development Co., Ltd. 安徽和縣碧桂園房地產開發有限公司	15 May 2007	RMB750,000,000	100%	–	Property development

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47 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Chaohu Country Garden Property Development Co., Ltd. 巢湖市碧桂園房地產開發有限公司	18 December 2006	RMB1,115,200,000	100%	–	Property development
Guangzhou Nansha Economic and Technological Development Zone Country Garden Property Development Co., Ltd. 廣州南沙經濟技術開發區碧桂園物業發展有限公司	2 August 2001	USD253,800,000	100%	–	Property development
Guangzhou Fengbi Country Garden Property Development Co., Ltd. 廣州市鳳碧房地產開發有限公司	29 May 2015	RMB1,000,000	95%	5%	Property development
Guangzhou Binan Country Garden Property Development Co., Ltd. 廣州市碧南房地產開發有限公司	7 August 2015	RMB50,000,000	95%	5%	Property development
Guangzhou Bihao Country Garden Property Development Co., Ltd. 廣州市碧豪房地產開發有限公司	16 December 2015	RMB1,430,000	70%	30%	Property development
Guangzhou Country Garden Property Development Co., Ltd. 廣州碧桂園物業發展有限公司	30 July 1998	RMB506,000,000	100%	–	Property development
Hangzhou Country Garden Jiutai Real Estate Co., Ltd. 杭州碧桂園久泰置業有限公司	14 September 2015	RMB300,000,000	100%	–	Property development
Hangzhou Country Garden Property Development Co., Ltd. 杭州碧桂園房地產開發有限公司	1 April 2011	USD136,000,000	100%	–	Property development
Wuhan Eco-city Country Garden Investment Co., Ltd. 武漢生態城碧桂園投資有限公司	4 December 2009	RMB500,000,000	55%	45%	Property development
Shanwei Country Garden Property Development Co., Ltd. 汕尾市碧桂園房地產開發有限公司	12 June 2007	RMB100,000,000	100%	–	Property development

47 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Jiangmen East Coast Country Garden Property Development Co., Ltd. 江門市東岸房地產發展有限公司	13 August 2003	RMB650,000,000	100%	–	Property development
Jiangmen Wuyi Country Garden Property Development Co., Ltd. 江門市五邑碧桂園房地產開發有限公司	28 September 2003	RMB863,000,000	100%	–	Property development
Jiangyin Jingyu Property Development Co., Ltd. 江陰景裕房地產開發有限公司(i)	12 April 2013	RMB2,300,000,000	90%	10%	Property development
Shenyang Country Garden Property Development Co., Ltd. 瀋陽市碧桂園房地產開發有限公司	11 January 2007	RMB1,350,000,000	100%	–	Property development
Shenyang Shenbeixincheng Yidong Real Estate Co., Ltd. 瀋陽瀋北新城伊東置業有限公司	18 May 2007	RMB750,000,000	100%	–	Property development
Shenyang Hunnan Xincheng Country Garden Property Development Co., Ltd. 瀋陽渾南新城碧桂園房地產開發有限公司	25 April 2007	RMB1,540,000,000	100%	–	Property development
Shenyang Suigang Baiyun Country Garden Property Development Co., Ltd. 瀋陽穗港白雲房地產投資開發有限公司	15 October 2002	RMB689,801,628	100%	–	Property development
Hainan Baolian City (Bo'ao) Real Estate Co., Ltd.* 海南寶蓮城(博鰲)實業有限公司	26 May 2003	RMB61,224,500	43%	57%	Property development
Hainan Lingshui Country Garden Runda Property & Investment Co., Ltd.* 海南陵水碧桂園潤達投資置業有限公司	11 April 2014	RMB200,000,000	49%	51%	Property development
Shenzhen Country Garden Property Investment Co., Ltd. 深圳市碧桂園房地產投資有限公司	25 August 2015	RMB731,000,000	100%	–	Property development
Hubei Country Garden Property Development Co., Ltd. 湖北省碧桂園房地產開發有限公司	13 August 2015	RMB1,000,000,000	100%	–	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Hubei Lianzhi Country Garden Zishanhu Property Development Co., Ltd. 湖北聯置碧桂園梓山湖房地產開發有限公司	29 December 2011	RMB500,000,000	51%	49%	Property development
Hunan Dongchenzhidi Real Estate Development Co., Ltd.* 湖南東宸智地房地產開發有限公司(i)	18 May 2009	RMB466,040,000	41%	59%	Property development
Liyang Xinbi Property Development Co., Ltd. 溧陽新碧房地產開發有限公司(ii)	10 August 2016	RMB560,000,000	100%	–	Property development
Wuhu Jinzhi Country Garden Property Development Co., Ltd. 蕪湖晉智房地產開發有限公司	5 November 2007	RMB800,000,000	100%	–	Property development
Maoming Shuidongwan Country Garden Property Development Co., Ltd. 茂名市水東灣碧桂園房地產開發有限公司	20 January 2010	RMB200,000,000	100%	–	Property development
Tongliao Country Garden Property Development Co., Ltd. 通遼碧桂園房地產開發有限公司	15 October 2007	RMB500,000,000	100%	–	Property development
Zhengzhou Country Garden Xintian Real Estate Co., Ltd.* 鄭州碧桂園新田置業有限公司(i)	3 February 2016	RMB550,204,082	43%	57%	Property development
Yangxi Biyue Property Development Co., Ltd. 陽西碧月房地產開發有限公司(ii)	19 September 2016	RMB600,000,000	60%	40%	Property development
Suizhou Country Garden Property Development Co., Ltd. 隨州碧桂園房地產開發有限公司	31 August 2007	RMB580,000,000	100%	–	Property development
Shaoguan Country Garden Property Development Co., Ltd. 韶關市碧桂園房地產開發有限公司	5 June 2007	RMB750,000,000	100%	–	Property development
Shaoguan Shunhong Property Development Co., Ltd. 韶關市順宏房地產開發有限公司	12 July 2006	RMB747,800,000	100%	–	Property development

47 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Heshan Country Garden Property Development Co., Ltd. 鶴山市碧桂園物業發展有限公司	22 June 2006	RMB963,000,000	100%	–	Property development
Taizhou Country Garden Property Development Co., Ltd. 泰州市碧桂園房地產開發有限公司	5 January 2007	RMB548,300,000	100%	–	Property development
Zengcheng Country Garden Phoenix City Hotel Co., Ltd. 增城市碧桂園鳳凰城酒店有限公司	13 January 2004	RMB500,700,000	100%	–	Hotel operation
Established and operate in the Malaysia:					
Vibrant Corridor Sdn. Bhd.	6 November 2012	RM2,500,000	55%	45%	Property development
Mayland Venue Sdn. Bhd.	23 November 2012	RM2,500,000	55%	45%	Property development
Country Garden Landscape S/B	25 November 2013	RM1,000,000	100%	–	Property development
Giant Leap Construction Sdn. Bhd.	6 March 2014	RM2,500,000	100%	–	Property construction
Teng Yue Overseas Construction Sdn. Bhd.	21 May 2014	RM2,500,000	100%	–	Property construction
Giant Light M&E Engineering Sdn. Bhd.	12 May 2014	RM1,000,000	100%	–	Property construction
Transcend Commercial Management Sdn. Bhd.	20 October 2015	RM2	100%	–	Lease and property management
Country Garden Pacificview Sdn. Bhd.	15 April 2013	RM900	60%	40%	Property development
Country Garden Properties (Malaysia) Sdn. Bhd.	22 February 2012	RM400,000	55%	45%	Property development
Country Garden Real Estate Sdn. Bhd.	16 December 2013	RM500,000	100%	–	Property development

(i) These subsidiaries are newly established or acquired by the Group during the year.

* As the Group has the rights to variable returns from its involvement with those companies, and has the ability to affect those returns through its majority vote position of the board of directors of these companies and the right to determine the budget, pricing and promotion strategies of these companies, the Group has control over these companies and these companies are thus accounted for as subsidiaries of the Group.

The English names of the PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names haven been registered or available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 Benefits and interests of directors

(a) Directors' emoluments

The remuneration of every director and chief executive is set out below:

For the year ended 31 December 2016:

Name of director	Fees RMB'000	Salary (Note (i)) RMB'000	Discretionary bonuses RMB'000	Other benefits and share-based compensation expenses RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Total RMB'000
Chairman						
Mr. YEUNG Kwok Keung	-	10,000	-	-	-	10,000
Executive directors						
Ms. YANG Huiyan	-	6,000	-	-	41	6,041
Mr. MO Bin*	-	6,000	-	-	58	6,058
Mr. ZHU Rongbin	-	5,500	10	-	42	5,552
Mr. WU Jianbin	-	5,000	316	-	267	5,583
Ms. YANG Ziying	-	4,000	16	-	41	4,057
Mr. SU Rubo	-	4,000	203	190	30	4,423
Mr. OU Xueming	-	4,000	-	729	30	4,759
Mr. YANG Zhicheng	-	4,000	14,193	3,186	40	21,419
Mr. XIE Shutai	-	4,000	529	-	75	4,604
Mr. SONG Jun	-	4,000	19,603	1,746	76	25,425
Mr. LIANG Guokun	-	4,000	-	-	38	4,038
Mr. SU Baiyuan	-	4,000	-	-	11	4,011
Non-executive director						
Mr. CHEN Chong (appointed on 8 December 2016)	-	21	-	-	-	21
Independent non-executive directors						
Mr. LAI Ming, Joseph	330	-	-	-	-	330
Mr. SHEK Lai Him, Abraham	330	-	-	-	-	330
Mr. TONG Wui Tung, Ronald	330	-	-	-	-	330
Mr. HUANG Hongyan	240	-	-	-	-	240
Ms. HUANG Xiao	240	-	-	-	-	240
Mr. MEI Wenjue	240	-	-	-	-	240
Mr. YEUNG Kwok On	240	-	-	-	-	240
	1,950	64,521	34,870	5,851	749	107,941

* Chief executive of the Company

Mr. Chen Chong was appointed on 8 December 2016 as non-executive director of the Company.

48 Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

For the year ended 31 December 2015:

Name of director	Fees RMB'000	Salary (Note (i)) RMB'000	Discretionary bonuses RMB'000	Other benefits and share-based compensation expenses RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Total RMB'000
Chairman						
Mr. YEUNG Kwok Keung	-	10,000	-	-	-	10,000
Executive directors						
Ms. YANG Huiyan	-	6,000	-	-	35	6,035
Mr. MO Bin*	-	6,000	-	-	54	6,054
Mr. ZHU Rongbin	-	5,500	-	-	36	5,536
Mr. WU Jianbin	-	5,000	-	944	251	6,195
Ms. Yang Ziyi	-	4,000	-	-	35	4,035
Mr. YANG Erzhu (retired on 19 August 2015)	-	2,505	-	-	21	2,526
Mr. SU Rubo	-	4,000	-	190	28	4,218
Mr. OU Xueming	-	4,000	-	729	28	4,757
Mr. YANG Zhicheng	-	4,000	7,418	2,302	22	13,742
Mr. XIE Shutai	-	4,000	5,799	-	70	9,869
Mr. SONG Jun	-	4,000	8,154	745	69	12,968
Mr. LIANG Guokun	-	4,000	728	-	36	4,764
Mr. SU Baiyuan	-	4,000	62	-	7	4,069
Independent non-executive directors						
Mr. LAI Ming, Joseph	330	-	-	-	-	330
Mr. SHEK Lai Him, Abraham	330	-	-	-	-	330
Mr. TONG Wui Tung, Ronald	330	-	-	-	-	330
Mr. HUANG Hongyan	240	-	-	-	-	240
Ms. HUANG Xiao	240	-	-	-	-	240
Mr. Liu Hongyu (resigned on 9 December 2015)	226	-	-	-	-	226
Mr. MEI Wenjue	240	-	-	-	-	240
Mr. YEUNG Kwok On	240	-	-	-	-	240
	2,176	67,005	22,161	4,910	692	96,944

* Chief executive of the Company

Note (i): Salary paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 Benefits and interests of directors *(Continued)*

(b) Directors' retirement benefits

During the year ended 31 December 2016, no retirement benefits were paid to the directors of the Company by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiaries (2015: nil).

(c) Directors' termination benefits

During the year ended 31 December 2016, no payments to the directors of the Company as compensation for the early termination of the appointment (2015: nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2016, the Company didn't pay to any third party for making available directors' services (2015: nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2016, there were no loans, quasi-loans or other dealings in favour of directors of the Company, controlled bodies corporate and connected entities with such directors (2015: nil).

(f) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in note 44, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2015 nil).

FINANCIAL STATEMENTS

Independent Auditor's Report



羅兵咸永道

TO THE SHAREHOLDERS OF COUNTRY GARDEN HOLDINGS COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Country Garden Holdings Company Limited (the "Company") and its subsidiaries set out on pages 132 to 254, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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羅兵咸永道

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.

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 Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 March 2016

FINANCIAL STATEMENTS

Consolidated Statement of
Financial Position

	Note	As at 31 December	
		2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	6	20,019,841	18,642,518
Investment properties	7	8,686,295	7,035,579
Intangible assets	8	121,539	29,247
Land use rights	9	2,052,170	2,034,522
Properties under development	10	52,727,068	44,638,652
Investments in associates	11(c)	884,492	34,492
Investments in joint ventures	11(b)	803,934	21,374
Available-for-sale financial assets	12	214,998	208,667
Trade and other receivables	15	642,950	–
Deferred income tax assets	28	3,786,942	2,770,111
		89,940,229	75,415,162
Current assets			
Properties under development	10	135,107,046	105,993,980
Completed properties held for sale	13	34,114,127	23,203,236
Inventories	14	1,978,437	2,095,143
Trade and other receivables	15	42,242,116	25,370,902
Prepaid taxes		9,490,355	8,739,706
Restricted cash	16	11,637,126	8,453,490
Cash and cash equivalents	17	36,240,752	18,760,590
Financial assets at fair value through profit or loss	18	1,188,096	–
Derivative financial instruments	20	18,043	–
		272,016,098	192,617,047
Current liabilities			
Advanced proceeds received from customers		96,516,079	91,792,491
Trade and other payables	19	73,385,200	40,924,965
Income taxes payable		8,905,412	8,976,132
Senior notes	21	–	2,538,757
Bank and other borrowings	23	22,778,038	12,390,679
Derivative financial instruments	20	10,198	–
		201,594,927	156,623,024
Net current assets		70,421,171	35,994,023
Total assets less current liabilities		160,361,400	111,409,185

	Note	As at 31 December	
		2015 RMB'000	2014 RMB'000
Non-current liabilities			
Senior notes	21	20,878,179	19,735,005
Debentures	22	15,258,499	–
Bank and other borrowings	23	30,829,079	26,404,258
Deferred government grants		239,520	239,520
Deferred income tax liabilities	28	3,815,717	2,587,976
		71,020,994	48,966,759
Equity attributable to owners of the Company			
Share capital and premium	24	29,212,611	24,262,047
Other reserves	26	3,942,139	4,243,448
Retained earnings	26	32,135,960	28,180,710
		65,290,710	56,686,205
Non-controlling interests			
Perpetual capital securities	27	19,528,000	3,090,000
Other non-controlling interests		4,521,696	2,666,221
		24,049,696	5,756,221
Total equity		89,340,406	62,442,426
Total equity and non-current liabilities		160,361,400	111,409,185

The notes on pages 140 to 254 are an integral part of these consolidated financial statements.

The financial statements on pages 132 to 254 were approved by the Board of Directors on 15 March 2016 and were signed on its behalf.

MO Bin
Director

WU Jianbin
Director

FINANCIAL STATEMENTS

Consolidated Statement of
Comprehensive Income

	Note	Year ended 31 December	
		2015 RMB'000	2014 RMB'000
Revenue	5	113,222,640	84,548,803
Cost of sales	30	(90,359,341)	(62,493,670)
Gross profit		22,863,299	22,055,133
Other income and gains – net	29	423,985	185,996
Gains arising from changes in fair value of and transfer to investment properties	7	809,812	1,880,036
Selling and marketing costs	30	(4,688,695)	(4,356,272)
Administrative expenses	30	(3,230,024)	(3,159,928)
Operating profit		16,178,377	16,604,965
Finance income	32	221,079	254,747
Finance costs	32	(1,510,589)	(450,329)
Finance costs – net	32	(1,289,510)	(195,582)
Share of results of associates and joint ventures	11(b), 11(c)	(55,758)	(40,258)
Profit before income tax		14,833,109	16,369,125
Income tax expenses	33	(5,121,428)	(5,757,225)
Profit for the year		9,711,681	10,611,900
Profit attributable to:			
– Owners of the Company		9,276,485	10,229,159
– Non-controlling interests			
Perpetual capital securities		356,104	207,169
Other non-controlling interests		79,092	175,572
		435,196	382,741
		9,711,681	10,611,900
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
– Revaluation gains on properties upon transfer from property, plant and equipment and land use rights to investment properties, net of tax	26	–	1,464,237
Items that may be reclassified to profit or loss:			
– Change in fair value of available-for-sale financial assets, net of tax	26	4,748	2,338
– Currency translation differences		(899,069)	6,452
Other comprehensive (loss)/income for the year, net of tax		(894,321)	1,473,027
Total comprehensive income for the year		8,817,360	12,084,927

	Note	Year ended 31 December	
		2015 RMB'000	2014 RMB'000
Total comprehensive income attributable to:			
– Owners of the Company		8,453,384	11,700,200
– Non-controlling interests			
Perpetual capital securities		356,104	207,169
Other non-controlling interests		7,872	177,558
		363,976	384,727
		8,817,360	12,084,927
Earnings per share attributable to owners of the Company (expressed in RMB cents per share)			
Basic	36	42.54	53.45
Diluted	36	42.53	53.45

The notes on pages 140 to 254 are an integral part of these consolidated financial statements.

FINANCIAL STATEMENTS

Consolidated Statement of
Changes in Equity

	Attributable to owners of the Company				Non-controlling interests			Total Equity RMB'000
	Share capital and premium RMB'000 (note 24)	Other reserves RMB'000 (note 26)	Retained earnings RMB'000 (note 26)	Total RMB'000	Perpetual capital securities RMB'000 (note 27)	Others RMB'000	Total RMB'000	
Balance at 1 January 2015	24,262,047	4,243,448	28,180,710	56,686,205	3,090,000	2,666,221	5,756,221	62,442,426
Comprehensive income								
Profit for the year	-	-	9,276,485	9,276,485	356,104	79,092	435,196	9,711,681
Other comprehensive income								
- Change in fair value of available-for-sale financial assets, net of tax	-	4,748	-	4,748	-	-	-	4,748
- Currency translation differences	-	(827,849)	-	(827,849)	-	(71,220)	(71,220)	(899,069)
Total comprehensive income for the year	-	(823,101)	9,276,485	8,453,384	356,104	7,872	363,976	8,817,360
Transactions with owners in their capacity as owners:								
Capital injections	-	-	-	-	16,838,000	1,155,383	17,993,383	17,993,383
Redemption of perpetual capital securities	-	-	-	-	(400,000)	-	(400,000)	(400,000)
Transfer to statutory reserves	-	547,660	(547,660)	-	-	-	-	-
Dividends and distributions (note 34)	-	-	(4,773,575)	(4,773,575)	(356,104)	(50)	(356,154)	(5,129,729)
Issue of shares (note 24)	4,950,564	-	-	4,950,564	-	-	-	4,950,564
Employee share schemes: - value of employee services (note 25)	-	30,111	-	30,111	-	-	-	30,111
Non-controlling interests arising from business combination (note 40)	-	-	-	-	-	740,569	740,569	740,569
Changes in ownership interests in subsidiaries without change of control (note 39)	-	(55,979)	-	(55,979)	-	(48,299)	(48,299)	(104,278)
Total transactions with owners	4,950,564	521,792	(5,321,235)	151,121	16,081,896	1,847,603	17,929,499	18,080,620
Balance at 31 December 2015	29,212,611	3,942,139	32,135,960	65,290,710	19,528,000	4,521,696	24,049,696	89,340,406

The notes on pages 140 to 254 are an integral part of these consolidated financial statements.

	Attributable to owners of the Company				Non-controlling interests			Total Equity RMB'000
	Share capital and premium RMB'000 (note 24)	Other reserves RMB'000 (note 26)	Retained earnings RMB'000 (note 26)	Total RMB'000	Perpetual capital securities RMB'000 (note 27)	Others RMB'000	Total RMB'000	
Balance at 1 January 2014	20,169,019	2,194,083	21,590,518	43,953,620	-	2,057,547	2,057,547	46,011,167
Comprehensive income								
Profit for the year	-	-	10,229,159	10,229,159	207,169	175,572	382,741	10,611,900
Other comprehensive income								
- Revaluation gains on properties upon transfer from property, plant and equipment and land use rights to investment properties, net of tax	-	1,464,237	-	1,464,237	-	-	-	1,464,237
- Change in fair value of available-for-sale financial assets, net of tax	-	2,338	-	2,338	-	-	-	2,338
- Currency translation differences	-	4,466	-	4,466	-	1,986	1,986	6,452
Total comprehensive income for the year	-	1,471,041	10,229,159	11,700,200	207,169	177,558	384,727	12,084,927
Transactions with owners in their capacity as owners:								
Capital injections	-	-	-	-	3,090,000	431,116	3,521,116	3,521,116
Transfer to statutory reserves	-	540,156	(540,156)	-	-	-	-	-
Dividends and distributions (note 34)	-	-	(3,098,811)	(3,098,811)	(207,169)	-	(207,169)	(3,305,980)
Issue of shares as a result of scrip dividend scheme (note 24)	1,591,601	-	-	1,591,601	-	-	-	1,591,601
Issue of shares as a result of a rights issue (note 24)	2,501,427	-	-	2,501,427	-	-	-	2,501,427
Employee share schemes:								
- value of employee services (note 25)	-	38,168	-	38,168	-	-	-	38,168
Total transactions with owners	4,093,028	578,324	(3,638,967)	1,032,385	2,882,831	431,116	3,313,947	4,346,332
Balance at 31 December 2014	24,262,047	4,243,448	28,180,710	56,686,205	3,090,000	2,666,221	5,756,221	62,442,426

The notes on pages 140 to 254 are an integral part of these consolidated financial statements.

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Consolidated Cash Flow
Statement

	Note	Year ended 31 December	
		2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	35	(6,488,588)	6,543,405
Income tax paid		(6,144,944)	(5,997,773)
Interest paid		(4,956,400)	(4,877,497)
Net cash used in operating activities		(17,589,932)	(4,331,865)
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired	40	(1,637,726)	–
Proceeds from disposal of a subsidiary, net of cash disposed of		34,837	–
Purchases of property, plant and equipment		(2,197,538)	(4,768,710)
Proceeds from disposal of investment properties	35	156,401	–
Payments for investment properties	7	(344,564)	–
Purchases of intangible assets	8	(12,467)	(10,875)
Purchases of land use rights	9	(74,797)	(337,450)
Investments in associates		(399,181)	(6,000)
Investments in joint ventures		(712,771)	–
Loans advanced to joint ventures	41(d)(iii)	(775,971)	–
Dividend income from available-for-sale financial assets	29	9,560	6,100
Proceeds from disposal of property, plant and equipment	35	255,447	174,911
Payments for financial assets at fair value through profit or loss	18	(1,188,096)	–
Interest received	32	221,079	254,747
Net cash used in investing activities		(6,665,787)	(4,687,277)
Cash flows from financing activities			
Capital injections from non-controlling interests		17,993,383	3,521,116
Issue of new shares	24	4,950,564	2,501,427
Proceeds from disposal of interests in subsidiaries without loss of control	39	16,722	–
Payments for acquisition of additional interests in subsidiaries	39	(127,000)	–
Issue of debentures	22	15,111,799	–
Redemption of perpetual capital securities	27	(400,000)	–
Redemption and repayment of senior notes	21	(8,325,469)	(5,875,596)
Issue of senior notes	21	5,483,516	4,849,502
Payments for senior notes covenant modification fees	21	(51,166)	–
Proceeds from bank and other borrowings		32,895,610	17,974,590
Repayments of bank and other borrowings		(20,779,394)	(12,368,886)
Dividends paid to owners of the Company	34	(4,773,575)	(1,507,210)
Distribution to holders of perpetual capital instruments	27	(325,372)	(182,296)
Dividends paid to other non-controlling interests		(50)	–
Net cash generated from financing activities		41,669,568	8,912,647

	Note	Year ended 31 December	
		2015 RMB'000	2014 RMB'000
Net increase/(decrease) in cash and cash equivalents		17,413,849	(106,495)
Cash and cash equivalents at the beginning of the year		18,760,590	18,909,719
Exchange gains/(losses) on cash and cash equivalents		66,313	(42,634)
Cash and cash equivalents at the end of the year	17	36,240,752	18,760,590

The notes on pages 140 to 254 are an integral part of these consolidated financial statements.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

1 General information

Country Garden Holdings Company Limited (the “Company”) was incorporated in the Cayman Islands on 10 November 2006 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands. The Company is engaged in investment holding and its subsidiaries (collectively, the “Group”) are principally engaged in the property development, construction, fitting and decoration, property investment, property management and hotel operation.

The shares of the Company are listed on The Stock Exchange of Hong Kong Limited.

These financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 15 March 2016.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures

- (i) The new or revised standards, amendments and interpretations to existing standards, which are mandatory for the financial year beginning on 1 January 2015, are either currently not relevant to the Group or had no material impact on the Group's consolidated financial statements.
- (ii) New Hong Kong Companies Ordinance (Cap.622)
In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.
- (iii) New and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2015 and have not been early adopted
 - Amendment to HKFRS 11 "Accounting for acquisitions of interests in joint operations". The amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business (as defined in HKFRS 3, Business combinations). Specifically, an investor will need to: measure identifiable assets and liabilities at fair value; expense acquisition-related costs; recognise deferred tax; and recognise the residual as goodwill. All other principles of business combination accounting apply unless they conflict with HKFRS 11. The amendment is applicable to both the acquisition of the initial interest and a further interest in a joint operation. The previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation with joint control maintained. This amendment will be effective for annual periods beginning on or after 1 January 2016.
 - Amendments to HKFRS 10 and HKAS 28 "Sale or contribution of assets between an investor and its associate or joint venture". The amendments address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. These amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)**2.1 Basis of preparation (Continued)****2.1.1 Changes in accounting policy and disclosures (Continued)**

- (iii) New and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2015 and have not been early adopted (Continued)
- Amendment to HKAS 27 “Equity method in separate financial statements”. The amendment allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. This amendment will be effective for annual periods beginning on or after 1 January 2016.
 - Annual improvements 2014. The amendments include changes from the 2012-2014 cycle of the annual improvements project that affect 4 standards: HKFRS 5, ‘Non-current assets held for sale and discontinued operations’, HKFRS 7, ‘Financial instruments: Disclosures’, HKAS 19, ‘Employee benefits’, and HKAS 34, ‘Interim financial reporting’. These amendments will be effective for annual periods beginning on or after 1 January 2016.
 - Amendments to HKAS 1 “Disclosure initiative”. The amendments clarify guidance in HKAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. Although the amendments do not require specific changes, they clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of users. The key areas addressed by the changes are as follows: 1) Materiality: an entity should not aggregate or disaggregate information in a manner that obscures useful information. An entity need not provide disclosures if the information is not material; 2) Disaggregation and subtotals: the amendments clarify what additional subtotals are acceptable and how they should be presented; 3) Notes: an entity is not required to present the notes to the financial statements in a particular order, and management should tailor the structure of their notes to their circumstances and the needs of their users; 4) Accounting policies: how to identify a significant accounting policy that should be disclosed; 5) Other comprehensive income from equity accounted investments: other comprehensive income of associates and joint ventures should be separated into the share of items that will subsequently be reclassified to profit or loss and those that will not. These amendments will be effective for annual periods beginning on or after 1 January 2016.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(iii) New and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2015 and have not been early adopted (Continued)

- HKFRS 9, 'Financial instruments'. HKFRS 9 (2014), "Financial instruments" replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss. HKFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. HKFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more "rule-based" approach of HKAS39. This standard will be effective for annual periods beginning on or after 1 January 2018.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)**2.1 Basis of preparation (Continued)****2.1.1 Changes in accounting policy and disclosures (Continued)**

(iii) New and revised standards and amendments to existing standards that have been issued and are relevant to the Group, but are not effective for the financial year beginning on 1 January 2015 and have not been early adopted (Continued)

- HKFRS 15 “Revenue from Contracts with Customers”. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract (3) Determine the transaction price (4) Allocate transaction price to performance obligations and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an ‘earnings processes to an ‘asset-liability’ approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition: HKFRIC 13 Customer Loyalty Programmes, HKFRIC 15 Agreements for the Construction of Real Estate, HKFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue- Barter Transactions Involving Advertising Services. This standard will be effective for annual periods beginning on or after 1 January 2018.

The Group is in the process of assessing the impact of the above new standards and amendments to existing standards on the Group’s consolidated financial statements.

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

FINANCIAL STATEMENTS**Notes to the Consolidated Financial Statements****2 Summary of significant accounting policies (Continued)****2.2 Subsidiaries (Continued)****2.2.1 Consolidation (Continued)**

(i) Business combinations (Continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 Summary of significant accounting policies (Continued)

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of results of an associate' in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in profit or loss.

FINANCIAL STATEMENTS**Notes to the Consolidated Financial Statements****2 Summary of significant accounting policies (Continued)****2.4 Joint arrangements**

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount adjacent to 'share of results of a joint venture' in profit or loss.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

2 Summary of significant accounting policies (Continued)

2.6 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB which is the Company's functional currency and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or costs'. Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income within 'finance income or costs', except when capitalised on the basis set out in note 2.25. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other income and gains – net'.

(iii) Group companies

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)**2.7 Property, plant and equipment**

Property, plant and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 – 40 years
Transportation equipment	5 – 10 years
Machinery	5 – 10 years
Furniture, fitting and equipment	5 – 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.10).

Construction in progress represents the direct costs of construction incurred of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'other income and gains-net' in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies (Continued)

2.8 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets. Changes in fair values are recorded in profit or loss as part of a valuation gain or loss.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increase directly to equity in revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. For a transfer from completed properties held for sale or properties under development to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)**2.9 Intangible assets****(i) Goodwill**

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Computer software

Acquired computer software programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 5 to 10 years on a straight-line basis.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 Summary of significant accounting policies (Continued)

2.11 Financial assets

(i) Classification

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' (note 2.18), and 'cash and cash equivalents' (note 2.19) in the statement of financial position.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit or loss. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit or loss within 'other income and gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit or loss as part of other income when the group's right to receive payments is established.

FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)**2.11 Financial assets (Continued)****(ii) Recognition and measurement (Continued)**

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income as 'other income and gains – net'.

Dividends on available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

2.12 Impairment of financial assets**(i) Assets carried at amortised cost**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies (Continued)

2.12 Impairment of financial assets (Continued)

(ii) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

2.13 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The change of fair value is recognised immediately in profit or loss within 'other income and gains – net'.

2.14 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises cost of land use rights, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.15 Completed properties held for sale

Completed properties remaining unsold at year ended are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

FINANCIAL STATEMENTS**Notes to the Consolidated Financial Statements****2 Summary of significant accounting policies (Continued)****2.16 Inventories**

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.17 Construction contracts

A construction contract is defined by HKAS 11 as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the “percentage of completion method” to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within “trade and other receivables”.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

2 Summary of significant accounting policies (Continued)

2.18 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.19 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.20 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's owners until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effect is included in equity attributable to the Company's owners.

2.21 Perpetual capital securities

Perpetual capital securities with no contractual obligation to repay its principal or to pay any distribution are classified as part of equity.

2.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to construction of hotel properties are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets when they are completed and ready for use.

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2 Summary of significant accounting policies (Continued)**2.23 Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.24 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.25 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differences between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and is limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2 Summary of significant accounting policies (Continued)

2.26 Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the liability component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

2.27 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of statement of financial position in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)**2.27 Current and deferred income tax (Continued)****(ii) Deferred income tax (Continued)**

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.28 Employee benefits**(i) Pension obligations**

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group contributes on a monthly basis to various defined contribution benefit plans organised by the relevant governmental authorities. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

(ii) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2 Summary of significant accounting policies (Continued)

2.29 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (including shares options and awarded shares) of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

The grant by the Company of its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the share options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

FINANCIAL STATEMENTS**Notes to the Consolidated Financial Statements****2 Summary of significant accounting policies (Continued)****2.30 Provisions and contingent liabilities**

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.31 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the group companies. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities, as described below.

(i) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position as advanced proceeds received from customers under current liabilities.

2 Summary of significant accounting policies (Continued)

2.31 Revenue recognition (Continued)

(ii) Construction services

Revenue arising from construction services is recognised in the accounting period in which the services is rendered, by reference to completion of the specific transaction assessed on the basis of the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract (note 2.17).

(iii) Hotel operation

Revenue from hotel operation is recognised in the accounting period in which the services are rendered.

(iv) Property management

Revenue arising from property management is recognised in the accounting period in which the services are rendered.

(v) Decoration services

Revenue from decoration services is recognised in the accounting period in which the services are rendered.

(vi) Property investment

Rental income from properties leasing under operating leases is recognised on a straight-line basis over the lease terms.

2.32 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.33 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.34 Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) The Group is the lessee

(a) The Group is the lessee under operating lease other than land use rights

Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

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Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)**2.34 Leases (Continued)****(i) The Group is the lessee (Continued)****(b) The Group is the lessee under operating lease of land use rights**

The Group made upfront payments to obtain operating leases of land use rights. The upfront payments of the land use rights are recorded as assets. The amortisation of land use rights is recognised as an expense on a straight-line basis over the unexpired period of the land use rights.

(ii) The Group is the lessor

Assets leased out under operating leases are included in investment properties in the consolidated statement of financial position. Rental income from operating lease is recognised over the term of the lease on a straight-line basis.

2.35 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.36 Insurance contracts

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is a pre-existing risk transferred from the policyholder to the insurer, and is significant only if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

The Group assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in the consolidated statement of comprehensive income.

The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property purchasers and financial guarantee contracts provided to its related parties as insurance contracts.

3 Financial risk management

The Group conducts its operations mainly in the PRC and accordingly is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, influence of national authorities over pricing regulation and competition in the industry.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. The property industry is highly sensitive to the economic environment in the PRC, which will affect the volumes of property transactions and selling prices. The Group mainly relies on sales of properties and borrowings to fund its operations. All borrowings due for repayment in 2016 are anticipated to be repaid according to the terms of the loan agreements as the Group considers no renewal is necessary given its sufficient cash to finance its obligation. The Group has alternative plans (refer to note 3(a)(iv)) to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

(a) Financial risk factors

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are bank deposits and borrowings denominated in Hong Kong Dollar ("HKD"), United States Dollar ("USD"), Ringgit Malaysia ("RM") and Australia Dollar ("AUD"). The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in non-RMB. The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates.

The Group manages its foreign exchange risk by using foreign currency forward contracts. Such foreign currency forward contracts have the economic effect of setting a forward rate for agreed amount of foreign currency amount. Under the foreign currency forward contracts, the Group agrees with other parties to exchange, at specified intervals, the difference between forward and spot exchange rate amounts calculated by reference to the agreed notional amount.

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Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Foreign exchange risk (Continued)

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective dates of statement of financial position are as follows:

	2015 RMB'000	2014 RMB'000
Assets		
HKD	17,684	1,259,806
USD	386,984	491,159
RM	587,672	748,615
AUD	158,681	470
Other currencies	5,837	18,506
	1,156,858	2,518,556
Liabilities		
HKD	3,710,616	4,945,702
USD	28,009,239	23,244,847
RM	3,787,249	2,510,809
AUD	368,488	–
	35,875,592	30,701,358

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. Should RMB strengthened/weakened by 5% against the relevant currencies, the effect on the post-tax profit for the year would be as follows:

	Change of post-tax profit – increase/(decrease)	
	2015 RMB'000	2014 RMB'000
RMB against HKD:		
Strengthened by 5%	184,647	184,295
Weakened by 5%	(184,647)	(184,295)
RMB against USD:		
Strengthened by 5%	1,381,113	1,137,684
Weakened by 5%	(1,381,113)	(1,137,684)
RMB against RM:		
Strengthened by 5%	119,984	66,082
Weakened by 5%	(119,984)	(66,082)
RMB against AUD:		
Strengthened by 5%	7,343	(16)
Weakened by 5%	(7,343)	16

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from interest-bearing bank deposits, senior notes, debentures, bank and other borrowings. Bank deposits, bank and other borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Senior notes and debentures issued at fixed rates expose the Group to fair value interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Group calculates the impact on profit or loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, the Group will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2015, borrowings of the Group which were bearing at floating rates amounted to approximately RMB53,607,117,000 (2014: RMB38,794,937,000). As at 31 December 2015, should the interest rate be increased/decreased by 50 basis points with all other factors remain unchanged and without taking into account interest capitalisation, the finance costs of the Group would be increased/decreased by approximately RMB268,036,000 (2014: RMB193,975,000).

(iii) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables and cash deposits with banks.

The carrying amounts of trade and other receivables, restricted cash and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk, bank deposits are mainly placed with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers. For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

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3 Financial risk management (Continued)**(a) Financial risk factors (Continued)****(iii) Credit risk (Continued)**

For properties that are still under construction, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 80% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's deposits and sell the property to recover any amounts paid by the Group to the bank. Unless the selling price would drop by no less than 20%, which is remote, the Group would not be in a loss position in selling those properties out. In this regard, the directors of the Company consider that the Group's credit risk is largely mitigated (refer to note 4(b) for more information).

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 37. No credit limits were exceeded during the year, and management does not expect any significant losses from non-performance by these counterparties.

(iv) Liquidity risk

Management aims to maintain sufficient cash to meet funding requirement for operations and monitors rolling forecasts of the Group's cash on the basis of expected cash flow. The directors of the Company have prepared cash flow projections for the year ending 31 December 2016. Key assumptions used in the preparation of the cash flow projections for the year ending 31 December 2016 include: (1) proceeds from pre-sales in 2016 is expected to be higher than that of 2015; (2) construction payments match receipt of the relevant proceeds from pre-sales; (3) available project loan facility is expected to be no less than that of 2015 and (4) no breach of debt covenants is anticipated in 2016.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include adjusting and further slowing down the construction progress as appropriate to ensure available resources for the development of properties for sale, implementing cost control measures and accelerating sales with more flexible pricing. The Group, will base on its assessment of the relevant future costs and benefits, pursue such options as are appropriate. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity grouping based on the remaining period at the date of statement of financial position to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2015					
Senior notes (principal amount plus interest)	1,559,682	1,559,682	14,894,492	10,830,107	28,843,963
Bank and other borrowings (principal amount plus interest)	25,682,643	14,687,381	18,677,147	509,148	59,556,319
Debentures (principal amount plus interest)	714,346	888,426	16,063,487	–	17,666,259
Trade and other payables (excluding other taxes payable and salaries payable)	67,571,499	–	–	–	67,571,499
Derivative financial instruments	10,198	–	–	–	10,198
Total	95,538,368	17,135,489	49,635,126	11,339,255	173,648,238
At 31 December 2014					
Senior notes (principal amount plus interest)	4,373,938	1,926,338	14,914,106	10,882,259	32,096,641
Bank and other borrowings (principal amount plus interest)	14,724,811	16,010,340	12,104,758	547,681	43,387,590
Trade and other payables (excluding other taxes payable and salaries payable)	35,209,185	–	–	–	35,209,185
Total	54,307,934	17,936,678	27,018,864	11,429,940	110,693,416

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3 Financial risk management (Continued)**(b) Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to optimise the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

Consistent with other companies in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity excluding perpetual capital securities. Net debt is calculated as total borrowings (including senior notes and debentures as shown in the consolidated statement of financial position) less cash and cash equivalents and the guarantee deposits for construction of pre-sale properties.

The gearing ratio as at 31 December 2015 and 2014 were as follows:

	2015 RMB'000	2014 RMB'000
Total borrowings (notes 21, 22 and 23)	89,743,795	61,068,699
Less: cash and cash equivalents (note 17)	(36,240,752)	(18,760,590)
Guarantee deposits for construction of pre-sale properties (note 16)	(11,637,126)	(8,453,490)
Net debt	41,865,917	33,854,619
Total equity (excluding perpetual capital securities)	69,812,406	59,352,426
Gearing ratio	59.97%	57.04%

The directors of the Company consider the Group's gearing ratio is within the healthy range.

3 Financial risk management (Continued)

(c) Fair value estimation

The table below analyses financial instruments carried at fair value, by level of the inputs to valuation techniques used to measure fair value. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2015				
Assets				
Available-for-sale financial assets	–	–	214,998	214,998
Derivative financial instruments	–	18,043	–	18,043
Financial assets at fair value through profit or loss	–	–	1,188,096	1,188,096
Total	–	18,043	1,403,094	1,421,137
Liabilities				
Derivative financial instruments	–	10,198	–	10,198
At 31 December 2014				
Assets				
Available-for-sale financial assets	–	–	208,667	208,667

(i) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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3 Financial risk management (Continued)**(c) Fair value estimation (Continued)****(i) Financial instruments in level 2 (Continued)**

Valuation techniques used to derive level 2 fair values

Level 2 derivative financial instruments comprise forward foreign exchange contracts. The fair value of these forward foreign exchange contracts was determined using forward exchange rates that are quoted in active market.

(ii) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2015 and 31 December 2014:

	2015 RMB'000	2014 RMB'000
Opening balance	208,667	206,329
Addition	1,188,096	–
Fair value change	6,331	2,338
Closing balance	1,403,094	208,667
Dividend income recognised in 'other income and gains – net'	9,560	6,100

3 Financial risk management (Continued)

(d) Financial instruments by category

	2015				2014		
	Available- for-sale RMB'000	Assets at fair value through profit or loss RMB'000	Loans and receivables RMB'000	Total RMB'000	Available- for-sale RMB'000	Loans and receivables RMB'000	Total RMB'000
Assets as per consolidated statement of financial position							
Available-for-sale financial assets (note 12)	214,998	-	-	214,998	208,667	-	208,667
Trade and other receivables excluding prepayments	-	-	33,876,128	33,876,128	-	19,327,039	19,327,039
Restricted cash (note 17)	-	-	11,637,126	11,637,126	-	8,453,490	8,453,490
Cash and cash equivalents (note 17)	-	-	36,240,752	36,240,752	-	18,760,590	18,760,590
Derivative financial instruments (note 20)	-	18,043	-	18,043	-	-	-
Financial assets at fair value through profit or loss (note 18)	-	1,188,096	-	1,188,096	-	-	-
Total	214,998	1,206,139	81,754,006	83,175,143	208,667	46,541,119	46,749,786

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Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(d) Financial instruments by category (Continued)

	Liabilities at amortised cost RMB'000	2015 Liabilities at fair value through profit or loss RMB'000	Total RMB'000	2014 Liabilities at amortised cost RMB'000
Liabilities as per consolidated statement of financial position				
Senior notes (note 21)	20,878,179	–	20,878,179	22,273,762
Bank and other borrowings (note 23)	53,607,117	–	53,607,117	38,794,937
Debentures (note 22)	15,258,499	–	15,258,499	–
Trade and other payables (excluding other taxes payable and salaries payable)	67,571,499	–	67,571,499	35,209,185
Derivative financial instruments (note 20)	–	10,198	10,198	–
Total	157,315,294	10,198	157,325,492	96,277,884

4 Critical accounting estimates and judgements

Estimates and judgements used in preparing the consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes and deferred taxation

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

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

4 Critical accounting estimates and judgements (Continued)

(b) Revenue recognition

The Group has recognised revenue from the sale of properties held for sale as disclosed in note 5. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the date when the equitable interest in the property vests with the buyer upon release of the respective property to the buyer.

As disclosed in note 37, the Group provides guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will normally be discharged upon issuance of the real estate ownership certificate which are generally be available within three months after the purchasers take possession of the relevant properties. In order to obtain mortgages, the purchasers would have settled no less than 20% of the total contract amount in accordance with related PRC regulations upon signing the sales contract. The directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank loans. In addition, based on the past experiences, defaults of mortgage facilities by the purchasers which resulted in the bank guarantees being called upon were rare and the financial impact was immaterial. Further, as disclosed in note 3(a)(iii), the credit risk of the Group under the circumstance that a purchaser defaults on the payment of its mortgage during the term of the guarantee is very low. Accordingly, the directors believe that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers upon the delivery of the properties to them.

(c) Estimates for net realisable value of properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable value for completed properties held for sale is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's best estimates, There was no material impairment for properties under development and completed properties held for sale as at 31 December 2015 (2014: RMB147,284,000).

FINANCIAL STATEMENTS**Notes to the Consolidated Financial Statements****4 Critical accounting estimates and judgements (Continued)****(d) Estimates for impairment of hotel assets**

Management performs review for impairment of the hotel assets whenever events or changes in circumstances indicate that the carrying amounts of the hotel assets may not be recoverable. In such case, the recoverable amounts of hotel assets have been determined based on value-in-use method. The value-in-use calculations require the use of significant estimates and assumptions on the projections of cash flows from the continuous use of the hotel assets. The key assumptions used in determining the value-in-use of hotel assets mainly include:

- Discount rate of 12% per annum;
- 4% per annum growth rate after start-up period; and
- Occupancy rates of 60% to 65% after start-up period.

Based on management's best estimates, there was no material impairment for hotel assets at 31 December 2015 and 2014.

(e) Estimates for fair value of investment properties

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuer. Significant judgement and assumptions are required in assessing the fair value of the investment properties. Details of the judgement and assumptions are disclosed in note 7.

5 Segment information

The executive directors review the Group's internal reporting in order to assess performance and allocate resources. The executive directors have determined the operating segments based on these reports.

The executive directors consider the business from product perspective. From a product perspective, executive directors assess the performance of:

- Property development;
- Construction, fitting and decoration;
- Property investment;
- Property management; and
- Hotel operation.

The executive directors assess the performance of the operating segments based on a measure of operating profit.

5 Segment information (Continued)

Segment assets consist primarily of property, plant and equipment, intangible assets, land use rights, investment properties, properties under development, completed properties held for sale, inventories, receivables and operating cash. They exclude deferred income tax assets, available-for-sale financial assets, financial assets at fair value through profit and loss and derivative financial instruments. Segment liabilities consist primarily of operating liabilities. They exclude senior notes, debentures, bank and other borrowings, deferred income tax liabilities, income taxes payable and derivative financial instruments.

Capital expenditure comprises additions to property, plant and equipment (note 6), investment properties (note 7), intangible assets (note 8) and land use rights (note 9).

Revenue consists of the following:

	2015 RMB'000	2014 RMB'000
Sales of properties	109,460,370	81,897,856
Rendering of construction, fitting and decoration services	746,355	467,872
Rental income	91,747	86,714
Rendering of property management services	1,469,307	964,066
Rendering of hotel services	1,454,861	1,132,295
	113,222,640	84,548,803

Sales between segments are carried out according to the terms and condition agreed by the respective segments' management.

The Group's entire revenue is attributable to the market in Mainland China and over 90% of the Group's non-current assets are located in Mainland China. No geographical information is therefore presented.

The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue.

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5 Segment information (Continued)

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2015 is as follows:

	Property development RMB'000	Construction, fitting and decoration RMB'000	Property investment RMB'000	Property management RMB'000	Hotel operation RMB'000	Total Group RMB'000
Segment revenue	109,460,370	13,634,456	91,747	1,940,853	1,508,247	126,635,673
Inter-segment revenue	–	(12,888,101)	–	(471,546)	(53,386)	(13,413,033)
Revenue (from external customers)	109,460,370	746,355	91,747	1,469,307	1,454,861	113,222,640
Depreciation and amortisation	421,128	35,444	–	13,482	359,718	829,772
Operating profit/(loss)	15,039,299	170,418	903,529	253,864	(188,733)	16,178,377

At 31 December 2015

Total segment assets after elimination of inter-segment balances	326,818,471	7,268,206	8,686,295	975,304	12,999,972	356,748,248
Capital expenditure	1,507,855	15,746	344,564	4,287	917,683	2,790,135
Total segment liabilities after elimination of inter-segment balances	160,280,150	8,180,750	8,011	737,945	933,943	170,140,799

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2014 is as follows:

	Property development RMB'000	Construction, fitting and decoration RMB'000	Property investment RMB'000	Property management RMB'000	Hotel operation RMB'000	Total Group RMB'000
Segment revenue	81,897,856	21,449,077	86,714	964,066	1,213,636	105,611,349
Inter-segment revenue	–	(20,981,205)	–	–	(81,341)	(21,062,546)
Revenue (from external customers)	81,897,856	467,872	86,714	964,066	1,132,295	84,548,803
Depreciation and amortisation	424,158	30,312	3,817	11,352	319,673	789,312
Operating profit/(loss)	15,027,422	(3,300)	1,906,185	(89,492)	(235,850)	16,604,965

At 31 December 2014

Total segment assets after elimination of inter-segment balances	235,028,152	8,607,178	7,035,579	1,499,951	12,882,571	265,053,431
Capital expenditure	1,926,777	27,023	–	17,660	3,172,700	5,144,160
Total segment liabilities after elimination of inter-segment balances	124,665,546	6,616,117	–	1,029,748	645,565	132,956,976

5 Segment information (Continued)

As at 31 December 2015, segment assets of the property development segment included the amounts of investments in associates and joint ventures accounted for using the equity method totalling approximately RMB1,688,426,000 (2014: RMB55,866,000).

Reportable operating profits are reconciled to net profit as follows:

	2015 RMB'000	2014 RMB'000
Total operating profit	16,178,377	16,604,965
Finance costs – net	(1,289,510)	(195,582)
Share of results of associates and joint ventures	(55,758)	(40,258)
Profit before income tax	14,833,109	16,369,125
Income tax expenses	(5,121,428)	(5,757,225)
Profit for the year	9,711,681	10,611,900

Reportable segments' assets and liabilities are reconciled to total assets and total liabilities as follows:

	2015 RMB'000	2014 RMB'000
Total segment assets after elimination of inter-segment balances	356,748,248	265,053,431
Deferred income tax assets	3,786,942	2,770,111
Available-for-sale financial assets	214,998	208,667
Financial assets at fair value through profit or loss	1,188,096	–
Derivative financial instruments	18,043	–
Total assets	361,956,327	268,032,209
Total segment liabilities after elimination of inter-segment balances	170,140,799	132,956,976
Deferred income tax liabilities	3,815,717	2,587,976
Income taxes payable	8,905,412	8,976,132
Senior notes	20,878,179	22,273,762
Bank and other borrowings	53,607,117	38,794,937
Debentures	15,258,499	–
Derivative financial instruments	10,198	–
Total liabilities	272,615,921	205,589,783

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6 Property, plant and equipment

	Buildings RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Furniture, fitting and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2014						
Cost	8,350,085	530,095	1,193,519	1,047,493	6,864,894	17,986,086
Accumulated depreciation	(1,003,880)	(198,845)	(453,911)	(501,160)	-	(2,157,796)
Net book amount	7,346,205	331,250	739,608	546,333	6,864,894	15,828,290
Year ended 31 December 2014						
Opening net book amount	7,346,205	331,250	739,608	546,333	6,864,894	15,828,290
Additions	1,086,881	72,514	228,364	407,716	3,025,391	4,820,866
Transfer to investment properties	(1,109,822)	-	-	-	-	(1,109,822)
Transfer upon completion	4,029,941	-	-	-	(4,029,941)	-
Disposals	(125,731)	(23,237)	(11,430)	(15,656)	-	(176,054)
Depreciation	(336,237)	(44,109)	(149,310)	(189,058)	-	(718,714)
Exchange differences	(357)	32	(1,001)	(722)	-	(2,048)
Closing net book amount	10,890,880	336,450	806,231	748,613	5,860,344	18,642,518
At 31 December 2014						
Cost	12,193,612	577,305	1,398,052	1,433,227	5,860,344	21,462,540
Accumulated depreciation	(1,302,732)	(240,855)	(591,821)	(684,614)	-	(2,820,022)
Net book amount	10,890,880	336,450	806,231	748,613	5,860,344	18,642,518
Year ended 31 December 2015						
Opening net book amount	10,890,880	336,450	806,231	748,613	5,860,344	18,642,518
Additions	753,494	39,315	88,130	156,594	1,320,774	2,358,307
Acquisition of subsidiaries (note 40)	-	-	748	48,440	-	49,188
Transfer upon completion	1,697,522	-	-	-	(1,697,522)	-
Disposals	(92,119)	(8,242)	(31,234)	(120,099)	(5,100)	(256,794)
Depreciation	(271,363)	(52,137)	(175,988)	(262,567)	-	(762,055)
Exchange differences	(6,789)	(980)	(1,785)	(1,769)	-	(11,323)
Closing net book amount	12,971,625	314,406	686,102	569,212	5,478,496	20,019,841
At 31 December 2015						
Cost	14,443,981	597,629	1,420,246	1,447,420	5,478,496	23,387,772
Accumulated depreciation	(1,472,356)	(283,223)	(734,144)	(878,208)	-	(3,367,931)
Net book amount	12,971,625	314,406	686,102	569,212	5,478,496	20,019,841

6 Property, plant and equipment (Continued)

Depreciation charge was capitalised or expensed in the following categories in the consolidated statement of financial position or the consolidated statement of comprehensive income:

	2015 RMB'000	2014 RMB'000
Properties under development	165,479	213,339
Cost of sales	416,290	309,271
Selling and marketing costs	42,267	46,458
Administrative expenses	138,019	149,646
	762,055	718,714

As at 31 December 2015, buildings with net book value of RMB3,528,296,000 (2014: RMB3,557,170,000) were pledged as collateral for the Group's borrowings.

As at 31 December 2015, title certificates of buildings with net book value of RMB5,120,147,000 (2014: RMB4,718,032,000) were still in the progress of being obtained.

Also as at 31 December 2015, included in buildings and construction in progress were the hotels located in the PRC with net book value of RMB11,116,518,000 (2014: RMB10,923,814,000).

7 Investment properties

	2015 RMB'000	2014 RMB'000
Year ended 31 December		
Opening net book amount	7,035,579	112,340
Additions	344,564	–
Depreciation	–	(3,817)
Transfer from property, plant and equipment and land use rights (notes 6 and 9)	–	1,211,111
Transfer from properties under development and completed properties held for sale	639,585	1,883,593
Revaluation gains upon transfer	601,023	3,333,443
– from property, plant and equipment and land use rights	–	1,952,316
– from properties under development and completed properties held for sale	601,023	1,381,127
Fair value change	208,789	498,909
Disposals	(143,245)	–
Closing net book amount	8,686,295	7,035,579
Gains arising from changes in fair value of and transfer to investment properties represent:		
– Revaluation gains upon transfer of properties under development and completed properties held for sale	601,023	1,381,127
– Fair value change	208,789	498,909
	809,812	1,880,036

FINANCIAL STATEMENTS**Notes to the Consolidated Financial Statements****7 Investment properties (Continued)**

Properties were re-measured at their respective fair values upon transfer. For the properties transferred from properties under development and completed properties held for sale to investment properties, the differences between the fair values and carrying amounts upon transfer, amounting to RMB601,023,000 (2014: RMB1,381,127,000), were recognised in profit or loss as gains arising from changes in fair value of and transfer to investment properties. In 2015, there are no properties transferred from property, plant and equipment and land use rights to investment properties. In 2014, for the properties transferred from property, plant and equipment and land use rights to investment properties, the differences between the fair values and carrying amounts upon transfer, amounting to RMB1,952,316,000, were recognised directly in equity with related deferred income tax of RMB488,079,000 (note 28).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. At 31 December 2015 and 2014, the Group had only level 3 investment properties.

Valuation processes of the Group

The Group's investment properties were valued at transfer dates, and at 31 December 2015 and 2014 by Vigers Appraisal and Consulting Limited, an independent and professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates the highest and best use.

Discussions of valuation processes and results are held between management and the valuer on a semi-annual basis, in line with the Group's interim and annual reporting dates.

At each half year-end, management:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

7 Investment properties (Continued)

Valuation Techniques

Valuations are based on:

- (i) Direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as locations and property size; and/or
- (ii) Income approach taking into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property, or
- (iii) Residual method of valuation which is commonly used in valuing development sites by establishing the market value of the properties on an "as-if" completed basis with appropriate deduction on construction costs, professional fees, contingency, marketing and legal cost, and interest payments to be incurred, anticipated developer's profits, as well as land acquisition costs, interest payment and profit on land.

There were no changes to the valuation techniques during the year.

Information about fair value measurements using significant unobservable inputs (level 3)

	Fair value as at 31 December 2015	Valuation techniques	Unobservable inputs	Range of unobservable inputs
			The rate of return/ capitalisation rate	4%-5.5% per annum
Completed investment properties	7,676,621,000	Income capitalisation	Monthly rental (RMB/square meter/month)	20-75
		Direct comparison	Adjusted market price (RMB/square meter)	1,800-37,000
			Budgeted construction cost to be incurred (RMB/square meter)	240-1,900
Investment properties under construction	1,009,674,000	Residual method	Remaining percentage to completion	10%-20%
			Anticipated developer's profit margin	12%-15%

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7 Investment properties (Continued)

Valuation Techniques (Continued)

Information about fair value measurements using significant unobservable inputs (level 3) (Continued)

	Fair value as at 31 December 2014	Valuation techniques	Unobservable inputs	Range of unobservable inputs
			The rate of return/ capitalisation rate	4%-5.5% per annum
Completed investment properties	4,213,399,000	Income capitalisation	Monthly rental (RMB/square meter/month)	20-75
		Direct comparison	Adjusted market price (RMB/square meter)	1,800-37,000
			Budgeted construction cost to be incurred (RMB/square meter)	240-1,900
Investment properties under construction	2,822,180,000	Residual method	Remaining percentage to completion	10%-20%
			Anticipated developer's profit margin	12%-15%

Relationships of unobservable inputs to fair value are as follows:

- The higher rate of return/capitalisation rate, the lower fair value;
- The higher expected vacancy rate, the lower fair value;
- The higher monthly rental, the higher fair value;
- The higher market price, the higher fair value;
- The higher budgeted construction cost to be incurred, the lower fair value;
- The higher remaining percentage to completion, the lower fair value;
- The higher the anticipated developer's profit margin, the lower fair value;

Amounts recognised in profit or loss for investment properties

	2015 RMB'000	2014 RMB'000
Rental income	91,747	86,714
Direct operating expenses	(11,186)	(6,421)
	80,561	80,293

As at 31 December 2015, investment properties with fair value of RMB357,513,000 (2014: RMB415,804,000) were pledged as collateral for the Group's borrowings.

8 Intangible assets

	Computer software RMB'000	Goodwill RMB'000	Total RMB'000
At 1 January 2014			
Cost	83,112	–	83,112
Accumulated amortisation	(39,635)	–	(39,635)
Net book amount	43,477	–	43,477
Year ended 31 December 2014			
Opening net book amount	43,477	–	43,477
Additions	10,875	–	10,875
Amortisation	(6,272)	–	(6,272)
Disposals	(18,333)	–	(18,333)
Closing net book amount	29,747	–	29,747
At 31 December 2014			
Cost	75,154	–	75,154
Accumulated amortisation	(45,907)	–	(45,907)
Net book amount	29,247	–	29,247
Year ended 31 December 2015			
Opening net book amount	29,247	–	29,247
Additions	12,467	–	12,467
Acquisition of subsidiaries (note 40)	119	90,274	90,393
Amortisation	(10,568)	–	(10,568)
Closing net book amount	31,265	90,274	121,539
At 31 December 2015			
Cost	87,740	90,274	178,014
Accumulated amortisation	(56,475)	–	(56,475)
Net book amount	31,265	90,274	121,539

Amortisation expense has been charged in administrative expenses.

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9 Land use rights

	2015 RMB'000	2014 RMB'000
Opening net book amount	2,034,522	1,865,068
Additions	74,797	331,252
Transfer to investment properties	-	(101,289)
Amortisation	(57,149)	(60,509)
Closing net book amount	2,052,170	2,034,522

Amortisation expense has been charged in administrative expenses.

Land use rights are located in the PRC and for self-use, and held on leases of between 10 to 50 years.

As at 31 December 2015, land use rights with net book value of RMB1,169,463,000 (2014: RMB1,333,941,000) were pledged as collateral for the Group's borrowings.

10 Properties under development

	2015 RMB'000	2014 RMB'000
Properties under development expected to be completed:		
– Within a normal operating cycle included under current assets	135,107,046	105,993,980
– Beyond a normal operating cycle included under non-current assets	52,727,068	44,638,652
	187,834,114	150,632,632
Amounts comprise:		
– Construction costs	110,526,146	86,023,485
– Land use rights	69,910,631	59,091,249
– Borrowing costs capitalized	7,397,337	5,517,898
	187,834,114	150,632,632

Properties under development expected to be completed within a normal operating cycle did not include properties that will be available for sale more than twelve months after the date of statement of financial position.

The capitalisation rate used to determine the amount of interest on general borrowings incurred eligible for capitalisation in 2015 was 7.78% per annum (2014: 8.16% per annum). Majority of the properties under development of the Group is located in the PRC.

As at 31 December 2015, land use rights included in properties under development with net book value of RMB18,649,419,000 (2014: RMB15,247,795,000) were pledged as collateral for the Group's borrowings.

11(a) Subsidiaries

The principal subsidiaries at 31 December 2015 are listed in note 44.

The directors of the Company consider that the non-controlling interests of the individual subsidiaries were insignificant to the Group and thus the individual financial information of these subsidiaries are not disclosed.

11(b) Investments in joint ventures

	2015 RMB'000	2014 RMB'000
At 1 January	21,374	33,333
Additions	805,891	—
Share of loss	(23,331)	(11,959)
At 31 December	803,934	21,374

The directors of the Company consider that the joint ventures as at 31 December 2015 and 2014 were insignificant to the Group and thus the individual financial information of the joint ventures were not disclosed.

As at 31 December 2015, there were no significant contingent liabilities and commitments relating to the Group's interest in the joint ventures.

The summarised financial information of individually immaterial joint ventures on an aggregate basis is as follows:

	2015 RMB'000	2014 RMB'000
Carrying amount in the consolidated financial statements	803,934	21,374
Share of loss for the year	(23,331)	(11,959)
Share of total comprehensive income	(23,331)	(11,959)

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11(c) Investments in associates

	2015 RMB'000	2014 RMB'000
At 1 January	34,492	56,791
Additions	882,427	6,000
Share of loss	(32,427)	(28,299)
At 31 December	884,492	34,492

The directors of the Company consider that the associates as at 31 December 2015 and 2014 were insignificant to the Group and thus the individual financial information of the associates were not disclosed.

As at 31 December 2015, there were no significant contingent liabilities relating to the Group's interest in the associates except for the contingent liabilities arising from the guarantee that the Group provided to Guangzhou Lihe Property Development Company Limited ("Li He"), in which the Group held 20% equity interest, for its borrowings (note 37).

The summarised financial information of individually immaterial associates on an aggregate basis is as follows:

	2015 RMB'000	2014 RMB'000
Carrying amount in the consolidated financial statements	884,492	34,492
Share of loss for the year	(32,427)	(28,299)
Share of total comprehensive income	(32,427)	(28,299)

12 Available-for-sale financial assets

	2015 RMB'000	2014 RMB'000
Unlisted equity investment at fair value:		
At 1 January	208,667	206,329
Fair value change (note 26)	6,331	2,338
At 31 December	214,998	208,667

The Group's available-for-sale financial assets represent a 3.95% equity interest in an unlisted investment fund company which was established in March 2013 in the PRC. The available-for-sale financial assets are denominated in RMB.

The fair value of the available-for-sale financial assets at 31 December 2015 was determined with reference to the Group's share of the net asset value of the investment fund company. The fair value measurement of the available-for-sale financial assets is categorised within level 3 of the fair value hierarchy.

13 Completed properties held for sale

	2015 RMB'000	2014 RMB'000
Completed properties held for sale	34,114,127	23,203,236

The completed properties held for sale are located in the PRC.

14 Inventories

	2015 RMB'000	2014 RMB'000
Construction materials and spare parts	1,978,437	2,095,143

15 Trade and other receivables

	2015 RMB'000	2014 RMB'000
Trade receivables (note (a))	14,764,833	8,690,063
Land auction and other deposits	6,999,069	2,600,236
Other receivables (note (b))	6,175,220	3,746,574
Amounts due from customers for contract work (note (c))	563,378	1,269,592
Prepayments for land use rights (note (d))	4,275,331	3,280,822
Amounts due from related parties except for contract work (note 41(d)(i))	4,597,657	3,020,574
Loans to related parties (note 41(d)(iii))	775,971	-
Other prepayments (note (e))	4,733,607	2,763,041
	42,885,066	25,370,902
Less: non-current portion of loans to related parties	(642,950)	-
Current portion of trade and other receivables	42,242,116	25,370,902

As at 31 December 2015, the fair value of trade and other receivables approximated their carrying amounts.

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15 Trade and other receivables (Continued)

- (a) Trade receivables mainly arise from sales of properties. Property buyers are generally granted credit terms of 1 to 6 months. The ageing analysis of trade receivables based on revenue recognition date is as follows:

	2015 RMB'000	2014 RMB'000
Within 90 days	12,706,910	7,399,889
Over 90 days and within 180 days	853,260	640,911
Over 180 days and within 365 days	821,220	436,609
Over 365 days	383,443	212,654
	14,764,833	8,690,063

At 31 December 2015 and 2014, trade receivables were denominated in RMB.

Trade receivables are analysed as follows:

	2015 RMB'000	2014 RMB'000
Fully performing under credit terms	14,128,350	8,451,516
Past due but not impaired	636,483	238,547
	14,764,833	8,690,063

Past due but not impaired receivables mainly represent receivables from sales of properties. The directors consider that these receivables would be recovered and no provision was therefore made against past due receivables as at 31 December 2015 (2014: nil). The ageing analysis of these trade receivables is as follows:

	2015 RMB'000	2014 RMB'000
Over 90 days and within 180 days	369,799	97,515
Over 180 days and within 365 days	234,982	95,164
Over 365 days	31,702	45,868
	636,483	238,547

The other classes within trade and other receivables did not contain impaired assets and there had been no material default history for these receivables.

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers. Trade receivables were collateralised by the properties sold.

15 Trade and other receivables (Continued)

(b) Other receivables mainly represent advances made to outsourced construction and design vendors, which are interest-free, unsecured and repayable on demand.

(c) Amounts due from customers for contract work at the date of statement of financial position are as follows:

	2015 RMB'000	2014 RMB'000
Cost incurred	3,919,572	4,252,364
Recognised profits (less recognised losses)	1,063,910	1,079,993
	4,983,482	5,332,357
Less: progress billings	(4,420,104)	(4,062,765)
	563,378	1,269,592
Represented by:		
Amounts due from customers	563,378	1,269,592
Including: Related parties (note 41(d)(i))	343,213	908,173
Third parties	220,165	361,419

(d) Prepayments for land use rights are related to acquisition of land use rights upon successfully bidding at the land auctions conducted by the PRC government. The relevant land use right certificates have not been obtained at 31 December 2015.

(e) Other prepayments mainly represent prepayments for purchases of construction materials and services.

16 Restricted cash

The amount represented guarantee deposits for construction of pre-sale properties denominated in RMB.

In accordance with relevant documents issued by the PRC State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of presale proceeds of properties as guarantee deposits for the constructions of the related properties. The deposits can only be used for payments for construction costs of the relevant properties when approval from PRC State-Owned Land and Resource Bureau is obtained. Such guarantee deposits will only be released after the completion certificates have been obtained or the issuance of the real estate ownership certificates, whichever is earlier.

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17 Cash and cash equivalents

	2015 RMB'000	2014 RMB'000
Cash at bank and in hand	31,839,298	26,706,380
Short term deposits	16,038,580	507,700
	47,877,878	27,214,080
Less: restricted cash (note 16)	(11,637,126)	(8,453,490)
	36,240,752	18,760,590

The short-term bank deposits are denominated in RMB and have terms ranging from 1 month to 3 months. The effective interest rate of these deposits for the year end 31 December 2015 was 3.11% per annum (2014: 5.58% per annum).

Cash and deposits are denominated in the following currencies:

	2015 RMB'000	2014 RMB'000
Denominated in RMB	46,753,858	24,695,524
Denominated in HKD	17,684	1,259,806
Denominated in USD	386,984	491,159
Denominated in RM	554,834	748,615
Denominated in AUD	158,681	470
Denominated in other currencies	5,837	18,506
	47,877,878	27,214,080

The conversion of RMB and RM denominated balances into other currencies and the remittance of these other currencies denominated bank balances and cash out of the PRC and Malaysia are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC and Malaysian governments.

18 Financial assets at fair value through profit or loss

	2015 RMB'000	2014 RMB'000
Listed equity security - China (note (a))	1,188,096	-

(a) On 16 November 2015, the Group entered into a share purchase agreement to subscribe for 51,977,311 shares (representing a 9.16% equity interest) issued by Shenzhen Tiantu Investment Management Co., Ltd. ("Tiantu"), which is mainly engaged in investment activities and listed on the National Equities Exchange and Quotations ("NEEQ") in the PRC, at a consideration of approximately RMB1,188,096,000. NEEQ is not regarded as an active market for accounting purpose as its transaction volume is low; the fair value of the investment is therefore determined with reference to the transaction price of the private placement of the shares of Tiantu to certain investors immediately prior to its listing on NEEQ in November 2015.

19 Trade and other payables

	2015 RMB'000	2014 RMB'000
Trade payables (note (b))	53,478,430	26,875,334
Other payables	13,722,445	7,813,785
Other taxes payable	2,443,970	2,223,947
Salaries payable	3,369,731	3,491,833
Accrued expenses	370,624	520,066
	73,385,200	40,924,965

(a) As at 31 December 2015, the carrying amounts of trade and other payables approximated their fair values.

(b) The ageing analysis of trade payables mainly based on the date of invoices was as follows:

	2015 RMB'000	2014 RMB'000
Within 90 days	47,826,776	25,106,015
Over 90 days and within 180 days	3,098,282	740,388
Over 180 days and within 365 days	1,564,830	510,070
Over 365 days	988,542	518,861
	53,478,430	26,875,334

20 Derivative financial instruments

	2015		2014	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Forward foreign exchange contracts	18,043	10,198	-	-

The notional principal amount of the outstanding forward foreign exchange contracts at 31 December 2015 was RMB485,718,000 (2014: nil). These contracts will mature in 2016.

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21 Senior notes

	2015 RMB'000	2014 RMB'000
As at 1 January	22,273,762	23,059,545
Additions (note (a)(ix))	5,483,516	4,849,502
Early redemption and repayment on maturity (note (a)(iii) and (a)(iv))	(8,018,100)	(5,686,103)
Interest expenses (note 32)	1,880,984	2,244,632
Coupon paid	(1,917,376)	(2,262,017)
Covenant modification fees (note (b))	(51,166)	-
Exchange differences	1,226,559	68,203
	20,878,179	22,273,762
Less: current portion included in current liabilities	-	(2,538,757)
Included in non-current liabilities	20,878,179	19,735,005

At 31 December 2015, the Group's senior notes were repayable as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year	-	2,538,757
Between 2 and 5 years	11,041,295	10,486,171
Over 5 years	9,836,884	9,248,834
	20,878,179	22,273,762

(a) The Group has issued the following senior notes:

- (i) On 10 September 2009, the Company issued senior notes in an aggregate principal amount of USD300,000,000. On 23 September 2009, the Company made an additional issue of senior notes in an aggregated principal amount of USD75,000,000 (collectively the "2014 Notes"). The 2014 Notes carried interest at the rate of 11.75% per annum, payable semi-annually on 10 March and 10 September in arrears, and were repaid upon maturity on 10 September 2014.
- (ii) On 22 April 2010, the Company issued senior notes in an aggregate principal amount of USD550,000,000 (the "2017 Notes"). The 2017 Notes carry interest at the rate of 11.25% per annum, payable semi-annually on 22 April and 22 October in arrears, and will mature on 22 April 2017, unless redeemed earlier. On 15 June 2014, all the outstanding 2017 Notes were early redeemed at a redemption price equal to 105.625% of the principal amount plus accrued and unpaid interest of USD9,281,000 to the redemption date. The total redemption price paid by the Company on the redemption date was USD590,219,000. The difference between the redemption price and the carrying amount of the 2017 Notes on the redemption date, amounting to USD30,938,000 (equivalent to approximately RMB189,493,000), was charged to profit or loss under 'finance costs' (note 32).

21 Senior notes (Continued)

(a) The Group has issued the following senior notes (Continued):

(iii) On 11 August 2010, the Company issued senior notes in an aggregate principal amount of USD400,000,000 (the "2015 Notes"). The 2015 Notes carry interest at the rate of 10.50% per annum, payable semi-annually on 11 August and 11 February in arrears, and were repaid upon maturity on 11 August 2015.

(iv) On 23 February 2011, the Company issued senior notes in an aggregate principal amount of USD900,000,000 (the "2018 Notes"). The 2018 Notes carry interest at the rate of 11.125% per annum, payable semi-annually on 23 February and 23 August in arrears, and will mature on 23 February 2018, unless redeemed earlier.

On 29 March 2015 (the "Redemption Date"), all the outstanding 2018 Notes were early redeemed at a redemption price equal to 105.5625% of the principal amount thereof, plus accrued and unpaid interest of USD10,012,500 to the Redemption Date. The total redemption price paid by the Company on the Redemption Date was USD960,075,000. The difference between the redemption price and the carrying amount of the 2018 Notes on the Redemption Date, amounting to USD50,062,500 (equivalent to approximately RMB307,369,000), was charged to profit or loss under 'finance costs' (note 32).

(v) On 10 January 2013, the Company issued senior notes in an aggregate principal amount of USD750,000,000 (the "2023 Notes"). The 2023 Notes carry interest at the rate of 7.5% per annum, payable semi-annually on 10 January and 10 July in arrears, and will mature on 10 January 2023, unless redeemed earlier.

(vi) On 4 October 2013, the Company issued senior notes in an aggregate principal amount of USD750,000,000 (the "2021 Notes"). The 2021 Notes carry interest at the rate of 7.25% per annum, payable semi-annually on 4 October and 4 April in arrears, and will mature on 4 October 2021, unless redeemed earlier.

(vii) On 27 May 2014, the Company issued senior notes in an aggregate principal amount of USD550,000,000 (the "2019 Notes I"). The 2019 Notes I carry interest at the rate of 7.875% per annum, payable semi-annually on 27 May and 27 November in arrears, and will mature on 27 May 2019, unless redeemed earlier.

(viii) On 5 June 2014, the Company issued senior notes in an aggregate principal amount of USD250,000,000 (the "2019 Notes II"). The 2019 Notes II were issued by way of private placement and carry interest at the rate of 7.5% per annum, payable semi-annually on 5 June and 5 December in arrears, and will mature on 5 June 2019, unless redeemed earlier.

(ix) On 9 March 2015, the Company issued senior notes in an aggregated principal amount of USD900,000,000 (the "2020 Notes"). The 2020 Notes carry interest at the rate of 7.5% per annum, payable semi-annually on 9 March and 9 September in arrears, and will mature on 9 March 2020, unless redeemed earlier.

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(b) In 2015, the Group paid USD8,000,000 (equivalent to approximately RMB51,166,000) to modify certain covenants of all existing outstanding notes.

(c) Except for the 2019 Notes II, all senior notes are listed on the Singapore Exchange Securities Trading Limited.

Except for the 2019 Notes II, all senior notes contain a liability component and the early redemption options:

Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 7.91%, 7.84%, 8.77%, 7.72%, 7.96%, 11.69% and 11.23% per annum to the liability component of the 2023 Notes, 2021 Notes, 2019 Notes I, 2019 Notes II, 2020 Notes, 2018 Notes and 2015 Notes respectively.

Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options was insignificant on initial recognition and at 31 December 2015 and 2014.

The fair value of the senior notes at 31 December 2015 was approximately RMB21,600,831,000 (2014: RMB21,593,997,000). The fair value is calculated using the market price of the senior notes on the date of statement of financial position. The fair value measurement of the senior notes is categorised within the level 1 of fair value hierarchy.

22 Debentures

Name of bond	Par value RMB'000	Issue date	Term of the bond	Net proceeds RMB'000	Effective interest rate per annum
RMB Debentures of the Company issued in 2015 (note (a))	1,000,000	29 December 2015	5 years	985,000	5.55%
RMB Debentures I tranche I of Zengcheng Country Garden Property Development Co., Ltd. ("Zengcheng Country Garden") issued in 2015 (note (b))	3,000,000	3 August 2015	3 years	2,989,500	4.33%
RMB Debentures I tranche II of Zengcheng Country Garden issued in 2015 (note (c))	3,000,000	12 August 2015	3 years	2,991,000	4.31%
RMB Debentures II tranche I of Zengcheng Country Garden issued in 2015 (note (d))	4,000,000	9 November 2015	4 years	3,985,200	5.15%
RMB Debentures II tranche II of Zengcheng Country Garden issued in 2015 (note (e))	4,000,000	7 December 2015	4 years	3,988,000	5.26%
RM Debentures of Country Garden Real Estate Sdn. Bhd. issued in 2015 (note (f))	174,219	30 December 2015	2 years	173,099	6.35%
Total	15,174,219			15,111,799	

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22 Debentures (Continued)

Name of bond	Opening balance RMB'000	Issued in the year RMB'000	Accrued interest on par value for the year RMB'000	Amortisation of the discount RMB'000	Effect arising on translation differences in foreign currencies RMB'000	Closing balance RMB'000
RMB Debentures of the Company issued in 2015 (note (a))	-	985,000	410	39	-	985,449
RMB Debentures I tranche I of Zengcheng Country Garden issued in 2015 (note (b))	-	2,989,500	52,126	1,387	-	3,043,013
RMB Debentures I tranche II of Zengcheng Country Garden issued in 2015 (note (c))	-	2,991,000	48,674	1,110	-	3,040,784
RMB Debentures II tranche I of Zengcheng Country Garden issued in 2015 (note (d))	-	3,985,200	28,208	1,028	-	4,014,436
RMB Debentures II tranche II of Zengcheng Country Garden issued in 2015 (note (e))	-	3,988,000	13,414	384	-	4,001,798
RM Debentures of Country Garden Real Estate Sdn. Bhd. issued in 2015 (note (f))	-	173,099	29	1	(110)	173,019
Total	-	15,111,799	142,861	3,949	(110)	15,258,499

At 31 December 2015, the Group's debentures were repayable as follows:

	2015 RMB'000	2014 RMB'000
Between 1 and 2 years	173,019	-
Between 2 and 5 years	15,085,480	-
	15,258,499	-

22 Debentures (Continued)

Notes:

- (a) The Company issued 4.99% per annum debentures at a par value of RMB1,000,000,000 on 29 December 2015. After deducting the issuance costs, the Group received net proceeds of RMB985,000,000 from the issuance.
- (b) Zengcheng Country Garden, a wholly owned subsidiary of the Group, issued 4.20% per annum debentures at a par value of RMB3,000,000,000 on 3 August 2015. After deducting the issuance costs, the Group received net proceeds of RMB2,989,500,000 from the issuance.
- (c) Zengcheng Country Garden issued 4.20% per annum debentures at a par value of RMB3,000,000,000 on 12 August 2015. After deducting the issuance costs, the Group received net proceeds of RMB2,991,000,000 from the issuance.
- (d) Zengcheng Country Garden issued 4.95% per annum debentures at a par value of RMB4,000,000,000 on 9 November 2015. After deducting the issuance costs, the Group received net proceeds of RMB3,985,200,000 from the issuance.
- (e) Zengcheng Country Garden issued 5.10% per annum debentures at a par value of RMB4,000,000,000 on 7 December 2015. After deducting the issuance costs, the Group received net proceeds of RMB3,988,000,000 from the issuance.
- (f) Country Garden Real Estate Sdn. Bhd., a wholly owned subsidiary of the Group, issued 6% per annum debentures at a par value of RM115,000,000 (equivalent to RMB174,219,000) on 30 December 2015. After deducting the issuance costs, the Group received net proceeds of 173,099,000 from the issuance.
- (g) The RMB Debentures issued by Zengcheng Country Garden were guaranteed by the Company.
- (h) The RM Debentures issued by Country Garden Real Estate Sdn. Bhd. were jointly guaranteed by the Company, Bright Start Group Ltd. and Top Favour Holdings Ltd. (both are wholly owned subsidiaries of the Company), and secured by all of Country Garden Real Estate Sdn.'s present and future assets, a first ranking charge over shares by Bright Start Group Ltd. and Top Favour Holdings Ltd. over their respective shares in Country Garden Real Estate Sdn., including but not limited to bonus shares, right shares and other new shares or rights entitlements.
- (i) The RMB Debentures II tranche I and tranche II issued by Zengcheng Country Garden and RMB Debentures issued by the Company contain a liability component and coupon rate adjustment options:

Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The directors consider that the fair values of the above coupon rate adjustment options were insignificant on initial recognition and at 31 December 2015.

The fair values of the debentures at 31 December 2015 were RMB15,335,091,000. The fair values are calculated using the market price of the debentures on the date of statement of financial position. The fair value measurement of RMB Debentures I tranche I and II issued by Zengcheng Country Garden is categorised within the level 1 of fair value hierarchy as they are listed on Shanghai Stock Exchange. The fair value measurement of other debentures is categorised within the level 3 of fair value hierarchy as they are private placements.

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23 Bank and other borrowings

	2015 RMB'000	2014 RMB'000
Included in non-current liabilities:		
– secured	29,094,271	26,531,036
– unsecured	17,504,067	10,581,878
Less: current portion	(15,769,259)	(10,708,656)
	30,829,079	26,404,258
Included in current liabilities:		
– secured	2,807,099	725,000
– unsecured	4,201,680	957,023
Current portion of non-current liabilities	15,769,259	10,708,656
	22,778,038	12,390,679

The Group's borrowings as at 31 December 2015 of RMB29,233,374,000 (2014: RMB26,316,236,000), were jointly secured by certain properties, land use rights and equipment of the Group (notes 6, 7, 9 and 10) with total carrying values of RMB23,704,691,000 (2014: RMB20,554,710,000). The Group's borrowings as at 31 December 2015 of RMB2,667,996,000 (2014: RMB939,800,000) were guaranteed by the Company and secured by the Group's equity interest in certain subsidiaries.

Other borrowings represented RMB209,029,000 (2014: RMB257,026,000) of borrowings under a financing arrangement entered into by the Group with a third-party financing company in the form of a sale and leaseback transaction with a repurchase option. The subject sold and leased back under the financing arrangement is a transportation equipment of the Group. As the repurchase price is set at RMB1 which is minimal compared to the expected fair value and the Group is certain that it will exercise the repurchase option, the above financing arrangement has been accounted for as collateralised borrowings of the Group.

The exposure of the Group's bank and other borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	6 months or less RMB'000	6-12 months RMB'000
Borrowings included in non-current liabilities:		
At 31 December 2015	30,620,050	209,029
At 31 December 2014	26,147,232	257,026
Borrowings included in current liabilities:		
At 31 December 2015	22,778,038	–
At 31 December 2014	12,390,679	–

23 Bank and other borrowings (Continued)

At 31 December 2015, the Group's bank and other borrowings were repayable as follows:

	2015		2014	
	Bank borrowings RMB'000	Other borrowings RMB'000	Bank borrowings RMB'000	Other borrowings RMB'000
Within 1 year	22,727,111	50,927	12,342,955	47,724
Between 1 and 2 years	12,959,677	54,346	14,593,126	50,927
Between 2 and 5 years	17,219,084	103,756	11,073,078	158,375
Over 5 years	492,216	–	528,752	–
	53,398,088	209,029	38,537,911	257,026

The annual weighted average effective interest rates as of 31 December were as follows:

	2015	2014
– Bank and other borrowings	6.88%	7.16%

The carrying amounts of the bank and other borrowings approximated their fair values as these borrowings are floating-rate borrowings.

The carrying amounts of the bank and other borrowings are denominated in the following currencies:

	2015 RMB'000	2014 RMB'000
RMB	40,076,619	30,367,341
HKD	3,710,616	4,945,702
USD	7,131,060	971,085
RM	2,320,723	2,510,809
AUD	368,099	–
	53,607,117	38,794,937

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24 Share capital and premium

	Number of ordinary shares	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000	Treasury shares RMB'000	Group total RMB'000
Authorised							
At 1 January 2014, 31 December 2014 and 2015, HKD0.10 per share	100,000,000,000	10,000,000					
Issued and fully paid							
At 1 January 2014	18,457,534,177	1,845,753	1,789,737	18,759,518	20,549,255	(380,236)	20,169,019
Issue of shares as a result of the scrip dividend scheme	622,296,869	62,230	49,398	1,542,203	1,591,601	-	1,591,601
Issue of shares as a result of a rights issue	1,271,988,736	127,199	100,869	2,400,558	2,501,427	-	2,501,427
At 31 December 2014 and 1 January 2015	20,351,819,782	2,035,182	1,940,004	22,702,279	24,642,283	(380,236)	24,262,047
Issue of shares (note (a))	2,236,200,000	223,620	176,861	4,773,703	4,950,564	-	4,950,564
At 31 December 2015	22,588,019,782	2,258,802	2,116,865	27,475,982	29,592,847	(380,236)	29,212,611

Note:

- (a) On 20 April 2015, the Company issued 2,236,200,000 new shares to Ping An Life Insurance Company of China, Ltd ("Ping An"). The issued shares represent approximately 10.99% of the Company's then existing issued share capital and approximately 9.90% of the Company's issued share capital as enlarged by the above subscription. The issue price per share was HKD2.816, which was arrived at after arm's length negotiations between the subscriber and the Company and after having considered the market price of the shares before the transaction date.

25 Employee share schemes

The share-based compensation expenses recognised are as follows:

	2015 RMB'000	2014 RMB'000
Share option scheme (note (a))	24,321	38,168
Share award scheme (note (b))	5,790	-
Total	30,111	38,168

- (a) Share option scheme

On 30 November 2012, the Group granted 3,000,000 share options (adjusted to 3,044,358 as a result of a rights issue in 2014) with an exercise price of HKD3.7 per share (adjusted to HKD3.646 per share as a result of the a rights issue in 2014) to certain independent non-executive directors. The options were vested immediately after the grant date and have a contractual option term of 10 years. The Group has no legal or contractual obligation to repurchase or settle the options in cash.

25 Employee share schemes (Continued)

(a) Share option scheme (Continued)

On 13 December 2013, the Group granted 6,173,457 share options (adjusted to 6,264,738 as a result of a rights issue in 2014) with an exercise price of HKD4.844 per share (adjusted to HKD4.773 per share as a result of a rights issue in 2014) to certain directors and employees in connection with a profit sharing incentive scheme (the "Incentive Scheme") adopted by the Group.

Pursuant to the Incentive Scheme, certain portion of the bonus calculated in accordance with the Incentive Scheme is settled in cash, while the remaining portion is settled in the Company's shares as the consideration for the costs to exercise the share options. The vesting period of the above share options is 5 years from their respective grant dates. The fair value of these share options at the grant date approximated the portion of bonus which is to be settled in the Company's shares.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2015		2014	
	Weighted Average exercise price (HKD per share)	Number of options	Weighted Average exercise price (HKD per share)	Number of options
At 1 January	4.397	9,141,015	4.404	9,309,096
Lapsed	4.773	(375,989)	4.773	(168,081)
At 31 December	4.382	8,765,026	4.397	9,141,015

None of the above share options were exercised in 2015 (2014: nil).

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price in HKD per share	Number of share options
29 November 2022	3.646	3,044,358
12 December 2023	4.773	5,720,668

The Group has to estimate the expected percentage of grantees that will stay within the Group at the end of vesting periods (the "Expected Retention Rate") of the shares option scheme in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 31 December 2015, the Expected Retention Rate was assessed to be 100% (2014: 100%).

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25 Employee share schemes (Continued)

(b) Share award scheme

Pursuant to the Incentive Scheme, certain portion of the bonus calculated in accordance with the Incentive Scheme is settled in cash, while the remaining portion is settled in the Company's shares. On 11 February 2015, 11 March 2015 and 20 August 2015, respectively, the Group granted 14,770,863, 6,128,293 and 9,863,225 shares to certain senior management and employees (the "Awarded Shares"). The vesting period of the Awarded Shares is 5 years from their respective grant dates. As at 31 December 2015, the registration and transfer procedures were yet to be completed.

The Group planned to use treasury shares to award the grantees of the Awarded Shares. The Awarded Shares are held by Power Great Enterprises Limited, a wholly owned subsidiary of the Group, on behalf of these senior management and employees until the end of vesting periods.

The fair value of these Awarded Shares at the grant date approximated the portion of bonus which is to be settled in the Company's shares.

Movements in the number of Awarded Shares are as follows:

	2015 Number of shares awarded	2014 Number of shares awarded
At 1 January	–	–
Granted	30,762,381	–
Lapsed	(1,967,394)	–
At 31 December	28,794,987	–

The Awarded Shares outstanding at the end of the year have the following expiry dates:

Expiry date	Number of shares awarded
10 February 2025	13,734,472
10 March 2025	5,269,592
19 August 2025	9,790,923

The Group has to estimate the Expected Retention Rate of the share award scheme in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 31 December 2015, the Expected Retention Rate was assessed to be 100% (2014: 100%).

26 Other reserves and retained earnings

	Other reserves								Retained earnings RMB'000	Total RMB'000
	Merger reserve RMB'000 (note (a))	Statutory reserves RMB'000 (note (b))	Share option reserve RMB'000 (note 25)	Available- for-sale RMB'000 (note 12)	Translation reserve RMB'000	Revaluation reserve RMB'000	Others RMB'000	Total RMB'000		
Balance at 1 January 2014	(149,801)	2,771,998	18,167	6,329	(47,134)	-	(405,476)	2,194,083	21,590,518	23,784,601
Profit for the year	-	-	-	-	-	-	-	-	10,229,159	10,229,159
Transfer to statutory reserves	-	540,156	-	-	-	-	-	540,156	(540,156)	-
2013 final dividends	-	-	-	-	-	-	-	-	(3,098,811)	(3,098,811)
Currency translation differences	-	-	-	-	4,466	-	-	4,466	-	4,466
Employee share schemes:										
- Value of employee service (notes 25 and 31)	-	-	38,168	-	-	-	-	38,168	-	38,168
Revaluation gains on properties upon transfer (note 7)	-	-	-	-	-	1,464,237	-	1,464,237	-	1,464,237
Change in fair value of available-for-sale financial assets, net of tax (note 12)	-	-	-	2,338	-	-	-	2,338	-	2,338
Balance at 31 December 2014	(149,801)	3,312,154	56,335	8,667	(42,668)	1,464,237	(405,476)	4,243,448	28,180,710	32,424,158

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26 Other reserves and retained earnings (Continued)

	Other reserves							Total RMB'000	Retained earnings RMB'000	Total RMB'000
	Merger reserve RMB'000 (note (a))	Statutory reserves RMB'000 (note (b))	Share option reserve RMB'000 (note 25)	Available- for-sale RMB'000 (note 12)	Translation reserve RMB'000	Revaluation reserve RMB'000	Others RMB'000 (note 39)			
Balance at 1 January 2015	(149,801)	3,312,154	56,335	8,667	(42,668)	1,464,237	(405,476)	4,243,448	28,180,710	32,424,158
Profit for the year	-	-	-	-	-	-	-	-	9,276,485	9,276,485
Transfer to statutory reserves	-	547,660	-	-	-	-	-	547,660	(547,660)	-
2014 final dividends and 2015 interim dividends	-	-	-	-	-	-	-	-	(4,773,575)	(4,773,575)
Currency translation differences	-	-	-	-	(827,849)	-	-	(827,849)	-	(827,849)
Employee share schemes:										
- Value of employee service (notes 25 and 31)	-	-	30,111	-	-	-	-	30,111	-	30,111
Change in fair value of available-for-sale financial assets, net of tax (note 12)	-	-	-	4,748	-	-	-	4,748	-	4,748
Changes in ownership interests in subsidiaries without change of control (note 39)	-	-	-	-	-	-	(55,979)	(55,979)	-	(55,979)
Balance at 31 December 2015	(149,801)	3,859,814	86,446	13,415	(870,517)	1,464,237	(461,455)	3,942,139	32,135,960	36,078,099

Notes:

- (a) Merger reserve of the Group represented the difference between the share capital of subsidiaries acquired pursuant to a group reorganisation undertaken for the listing of Company on the main board of the Stock Exchange in 2007 over the nominal value of shares of the Company issued in exchange thereof.
- (b) Pursuant to the relevant rules and regulations governing foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, the subsidiaries are required to transfer certain portion of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their respective registered capital.

27 Perpetual capital securities

	RMB'000
Balance as at 1 January 2014	–
Securities issued during the year	3,090,000
Profit for the year	207,169
Distribution for the year	(207,169)
Balance as at 31 December 2014	3,090,000
Balance as at 1 January 2015	3,090,000
Securities issued during the year	16,838,000
Redemption	(400,000)
Profit for the year	356,104
Distribution for the year	(356,104)
Balance as at 31 December 2015	19,528,000

In 2015 and 2014, certain subsidiaries (the “Issuing Subsidiaries”) of the Group issued subordinated unlisted perpetual capital securities (the “Perpetual Capital Securities”) to certain financial institutions in the PRC.

The Perpetual Capital Securities are jointly guaranteed by the Company and Issuing Subsidiaries and secured by pledges of the shares of Issuing Subsidiaries. They do not have maturity date and the distribution payments can be deferred at the discretion of the Issuing Subsidiaries. The Perpetual Capital Securities are classified as equity instruments and recorded in non-controlling interests in the consolidated statement of financial position.

As at 31 December 2015, Issuing Subsidiaries declared distributions of totalling RMB356,104,000 (2014: RMB207,169,000) to the holders of the Perpetual Capital Securities, of which RMB55,605,000 (2014: RMB24,873,000) has not been paid and recorded in other payables as at 31 December 2015.

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28 Deferred income tax

The analysis of deferred tax assets and liabilities is as follows:

	2015 RMB'000	2014 RMB'000
Deferred income tax assets:		
– to be realised after more than 12 months	1,610,778	1,627,377
– to be realised within 12 months	2,176,164	1,142,734
	3,786,942	2,770,111
Deferred income tax liabilities:		
– to be settled after more than 12 months	(3,510,843)	(2,587,976)
– to be settled within 12 months	(304,874)	–
	(3,815,717)	(2,587,976)
	(28,775)	182,135

The movement on the net deferred income tax account is as follows:

	2015 RMB'000	2014 RMB'000
Beginning of the year	182,135	530,112
Acquisition of subsidiaries (note 40)	(681,166)	–
Charged to other comprehensive income	(1,583)	(488,079)
Recognised in profit or loss (note 33)	471,839	140,102
End of the year	(28,775)	182,135

28 Deferred income tax (Continued)

Movement in deferred tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred income tax assets:

	Fair value loss from business combination RMB'000	Recognition of expenses RMB'000	Elimination of unrealised profits RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2014	–	28,114	1,071,910	699,998	1,800,022
Credited to profit or loss	–	49,103	324,396	596,590	970,089
At 31 December 2014	–	77,217	1,396,306	1,296,588	2,770,111
At 1 January 2015	–	77,217	1,396,306	1,296,588	2,770,111
Acquisition of subsidiaries (note 40)	15,887	–	–	7,664	23,551
(Charged)/Credited to profit or loss	–	(52,516)	(149,566)	1,195,362	993,280
At 31 December 2015	15,887	24,701	1,246,740	2,499,614	3,786,942

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets as at 31 December 2015 of RMB6,333,500 (2014: RMB8,946,000) in respect of accumulated tax losses amounting to RMB25,334,000 as at 31 December 2015 (2014: RMB35,785,000), of which RMB4,733,000, RMB17,427,000, RMB2,374,000, RMB266,000 and RMB534,000 as at 31 December 2015 will expire in 2016, 2017, 2018, 2019 and 2020 respectively.

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28 Deferred income tax (Continued)

Deferred income tax liabilities:

	Fair value gain on available- for-sale RMB'000	Fair value gain from business combination RMB'000	Recognition of construction contract revenue and contract costs RMB'000	Withholding income tax on profit to be distributed in future RMB'000 (note)	Fair value gains on investment properties RMB'000	Total RMB'000
At 1 January 2014	-	(120,272)	(750,092)	(399,546)	-	(1,269,910)
Charged to other comprehensive income	-	-	-	-	(488,079)	(488,079)
Credited/(Charged) to profit or loss	-	21,002	(337,085)	(43,895)	(470,009)	(829,987)
At 31 December 2014	-	(99,270)	(1,087,177)	(443,441)	(958,088)	(2,587,976)
At 1 January 2015	-	(99,270)	(1,087,177)	(443,441)	(958,088)	(2,587,976)
Acquisition of subsidiaries (note 40)	-	(704,717)	-	-	-	(704,717)
Charged to other comprehensive income	(1,583)	-	-	-	-	(1,583)
Credited/(Charged) to profit or loss	-	29,986	(239,831)	(99,955)	(211,641)	(521,441)
At 31 December 2015	(1,583)	(774,001)	(1,327,008)	(543,396)	(1,169,729)	(3,815,717)

Note:

As at 31 December 2015, the retained earnings of the Group's PRC subsidiaries not yet remitted to holding companies incorporated outside PRC, for which no deferred income tax liability had been provided, were approximately RMB33,844,170,000 (2014: RMB27,465,467,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to a foreign investor in the foreseeable future based on management's estimation of overseas funding requirements.

29 Other income and gains – net

	2015 RMB'000	2014 RMB'000
Refund of land usage tax and other government grants	183,690	68,470
Gains on bargain purchase (note 40)	118,315	–
Forfeiture of advances received from customers	68,232	16,330
Gains on disposal of investment properties	13,156	–
Dividend income on available-for-sale financial assets	9,560	6,100
Change in fair value of derivative financial instruments	7,845	–
Gain on disposal of a subsidiary	1,547	–
Losses on disposals of property, plant and equipment	(1,347)	(1,143)
Gains on disposals of properties under development	–	43,300
Others	22,987	52,939
	423,985	185,996

30 Expenses by nature

	2015 RMB'000	2014 RMB'000
Auditor's remuneration	15,710	9,230
– Audit services	9,950	6,900
– Non-audit services	5,760	2,330
Advertising costs	1,391,167	1,539,647
Amortisation of intangible assets (note 8)	10,568	6,272
Business taxes and other levies (note below)	6,872,861	5,383,350
Costs of completed properties sold	82,330,852	56,060,584
Donations	83,038	264,543
Depreciation (notes 6 and 7)	596,576	509,192
Employee benefit expenses (note 31)	4,955,937	4,466,080
Land use rights amortisation (note 9)	57,149	60,509
Rental expenses	166,339	150,255
Write-down of completed properties held for sale	–	147,284
Others	1,797,863	1,412,924
Total cost of sales, selling and marketing costs and administrative expenses	98,278,060	70,009,870

Note:

The PRC subsidiaries of the Group are subject to business taxes on their revenues at the following rates:

Category	Rate
Sale of properties	5%
Property construction, fitting and decoration	3%
Property investment	5%
Property management	5%
Hotel service	5%

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31 Employee benefit expenses

	2015 RMB'000	2014 RMB'000
Wages and salaries	7,317,496	7,312,085
Contributions to pension plans (note (a))	50,317	49,559
Staff welfare	115,015	113,281
Medical benefits	100,638	99,120
Share-based compensation expenses	30,111	38,168
Other allowances and benefits	28,752	28,319
	7,642,329	7,640,532
Less: capitalised in properties under development	(2,686,392)	(3,174,452)
	4,955,937	4,466,080

(a) Contributions to pension plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal governments. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal governments to the scheme to fund the retirement benefits of the employees.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year including four (2014: three) directors whose emoluments are reflected in the analysis shown in note 45. The emoluments payable to the remaining one (2014: two) individual during the year are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other benefits	1,746	9,167
Bonuses	16,162	7,510
Employee share schemes	5,661	-
Contributions to pension plans	31	42
	23,600	16,719

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
HKD9,500,001 to HKD10,000,000	-	1
HKD11,000,001 to HKD11,500,000	-	1
HKD29,000,001 to HKD29,500,000	1	-

32 Finance costs – net

	2015 RMB'000	2014 RMB'000
Finance income:		
– Interest income on short-term bank deposits	221,079	254,747
Finance costs:		
– Interest expense:		
– Senior notes	(1,880,984)	(2,244,632)
– Bank and other borrowings	(3,033,909)	(2,634,812)
– Debentures	(146,810)	–
	(5,061,703)	(4,879,444)
Less: amounts capitalised on qualifying assets	5,061,703	4,879,444
	–	–
– Net foreign exchange losses on financing activities	(1,640,840)	(260,836)
Less: amounts capitalised on qualifying assets	437,620	–
	(1,203,220)	(260,836)
– Loss on early redemption of senior notes (note 21)	(307,369)	(189,493)
	(1,510,589)	(450,329)
Finance costs – net	(1,289,510)	(195,582)

33 Income tax expenses

	2015 RMB'000	2014 RMB'000
Current income tax		
– PRC corporate income tax	4,482,128	4,252,464
– Land appreciation tax (note (c))	1,111,139	1,644,863
	5,593,267	5,897,327
Deferred income tax (note 28)		
– PRC corporate income tax	(571,794)	(183,997)
– Withholding income tax on profit to be distributed in future (note (d))	99,955	43,895
	(471,839)	(140,102)
	5,121,428	5,757,225

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33 Income tax expenses (Continued)

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group companies as follows:

	2015 RMB'000	2014 RMB'000
Profit before income tax	14,833,109	16,369,125
Tax calculated at PRC corporate income tax rate of 25% (2014: 25%)	3,708,277	4,092,281
Land appreciation tax deductible for calculation of income tax purpose	(277,785)	(411,216)
Utilisation of tax losses not recognised as deferred income tax assets	(2,613)	(1,674)
Income not subject to tax	(4,472)	(5,574)
Expenses not deductible for tax	486,927	394,650
	3,910,334	4,068,467
Withholding income tax on profit to be distributed in future (note (d))	99,955	43,895
Land appreciation tax (note (c))	1,111,139	1,644,863
Income tax expenses	5,121,428	5,757,225

Notes:

- (a) Hong Kong profits tax has been provided at the rate of 16.5% (2014:16.5%) on the estimated assessable profits of the Group's subsidiaries in Hong Kong.
- (b) PRC corporate income tax has been provided at corporate income tax rate of 25%.
- (c) PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.
- (d) Withholding income tax is provided on the dividends to be distributed by the PRC subsidiaries of the Group. The relevant overseas holding companies have successfully obtained endorsement from various PRC tax bureaus to enjoy the treaty benefit of 5% withholding income tax rate on dividends received from the PRC subsidiaries of the Group. Accordingly, withholding income tax has been provided at 5% of the dividends to be distributed by the PRC subsidiaries of the Group.

34 Dividends

	2015 RMB'000	2014 RMB'000
Interim dividend of RMB6.48 cents (2014:nil) per share	1,463,704	–
Proposed final dividend of RMB6.47 cents per share (2014: RMB14.75 cents)	1,448,530	3,001,893

On 19 August 2015, the Board of Directors declared the payment of a 2015 interim dividend of RMB6.48 cents per share, totalling RMB1,463,704,000 which was paid in cash in November 2015 (2014: nil).

The final dividend in respect of 2014 of RMB14.75 cents (equivalent to HKD18.70 cents) per share, totalling RMB3,333,127,000 (including the dividend payable to Ping An as a result of the issue of shares to Ping An in April 2015 (note 24(a))), was approved in the Annual General Meeting on 20 May 2015 and paid in cash in July 2015.

The directors recommend the payment of a 2015 final dividend of RMB6.47 cents per share, totalling RMB1,448,530,000, which has taken into account the effect of the buy-back of the Company's shares subsequent to 31 December 2015 and up to the date of these financial statements (note 42). Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable.

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35 Cash (used in)/generated from operations

	2015 RMB'000	2014 RMB'000
Profit for the year	9,711,681	10,611,900
Adjustments for:		
Income tax expenses (note 33)	5,121,428	5,757,225
Interest income (note 32)	(221,079)	(254,747)
Loss on early redemption of senior notes (note 32)	307,369	189,493
Net foreign exchange losses (note 32)	1,203,220	260,836
Depreciation (notes 6 and 7)	596,576	509,192
Amortisation of land use rights (note 9)	57,149	60,509
Amortisation of intangible assets (note 8)	10,568	6,272
Write-down of completed properties held for sale (note 30)	-	147,284
Losses on disposals of property, plant and equipment (note 29)	1,347	1,143
Share of results of associates and joint ventures (note 11)	55,758	40,258
Gains arising from changes in fair value of and transfer to investment properties (note 7)	(809,812)	(1,880,036)
Share-based compensation expense (note 31)	30,111	38,168
Dividend income from available-for-sale financial assets (note 29)	(9,560)	(6,100)
Gains on bargain purchase (note 40)	(118,315)	-
Change in fair value of derivative financial instruments (note 29)	(7,845)	-
Gain on disposal of a subsidiary	(1,547)	-
Gains on disposal of investment properties (note 29)	(13,156)	-
	15,913,893	15,481,397
Changes in working capital (excluding the effects of acquisition of subsidiaries and currency exchange differences on consolidation):		
Property under development and completed properties held for sale	(38,278,986)	(47,792,364)
Inventories	116,706	(1,522,280)
Restricted cash	(3,183,636)	(683,620)
Trade and other receivables	(14,796,926)	985,042
Prepaid taxes	(272,767)	(1,611,398)
Trade and other payables	30,837,529	13,312,089
Advanced proceeds received from customers	3,175,599	28,374,539
Cash (used in)/generated from operations	(6,488,588)	6,543,405

35 Cash (used in)/generated from operations (Continued)

In the consolidated cash flow statement, proceeds from disposals of property, plant and equipment and investment properties comprise:

	2015 RMB'000	2014 RMB'000
Property, plant and equipment		
Net book amount (note 6)	256,794	176,054
Losses on disposals (note 29)	(1,347)	(1,143)
Proceeds	255,447	174,911
Investment properties		
Net book amount(note 7)	143,245	–
Gains on disposals(note 29)	13,156	–
Proceeds	156,401	–

36 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares (note 24).

	2015	2014
Profit attributable to owners of the Company (RMB'000)	9,276,485	10,229,159
Weighted average number of ordinary shares in issue (thousands)	21,806,325	19,138,531
Earnings per share – Basic (RMB cents per share)	42.54	53.45

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had two categories of dilutive potential ordinary shares: share options and the Awarded Shares. For the share options and Awarded Shares, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options and Awarded Shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and Awarded Shares.

	2015	2014
Profit attributable to owners of the Company (RMB'000)	9,276,485	10,229,159
Weighted average number of ordinary shares in issue (thousands)	21,806,325	19,138,531
Adjustments – share options and Awarded Shares (thousands)	7,471	902
Weighted average number of ordinary shares for diluted earnings per share (thousands)	21,813,796	19,139,433
Earnings per share – Diluted (RMB cents per share)	42.53	53.45

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37 Contingencies

The Group had the following contingent liabilities:

	2015 RMB'000	2014 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers (note (a))	60,636,156	49,375,895
Guarantees to related parties in respect of borrowings (note (b))	1,781,900	2,298,980
	62,418,056	51,674,875

Note:

(a) These represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. As at 31 December 2015, the amount of RMB50,841,000 (2014: RMB113,392,000) was to be discharged two years from the day the mortgaged loans become due; and RMB60,585,315,000 (2014: RMB49,262,503,000) was to be discharged upon the earlier of (i) issuance of the real estate ownership certificate which are generally available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the purchasers of properties.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty (note 4(b)) and therefore no provision has been made in the financial statements for the guarantees.

(b) These represented the maximum exposure of the guarantees provided for Li He (note 41(b)(iv)).

38 Commitments

(a) Commitments for capital and property development expenditures

	2015 RMB'000	2014 RMB'000
Contracted but not provided for:		
– Property, plant and equipment	45,753	5,928
– Property development expenditure (including land premium)	84,779,569	72,646,326
	84,825,322	72,652,254

(b) Operating lease commitments

The lease terms are between 1 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings are as follows:

	2015 RMB'000	2014 RMB'000
Not later than one year	41,080	15,568
Later than one year and not later than five years	30,884	34,326
Later than five years	6,125	1,749
	78,089	51,643

(c) Operating lease rentals receivable

The lease terms are between 1 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of buildings are as follows:

	2015 RMB'000	2014 RMB'000
Not later than one year	93,308	82,839
Later than one year and not later than five years	437,225	346,069
Later than five years	586,023	314,948
	1,116,556	743,856

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39 Transactions with non-controlling interests

(a) Acquisition of additional interests in subsidiaries

(i) *Yongchun Country Garden Property Development Co., Ltd. (“Yongchun Country Garden”)*

On 22 October 2015, the Group acquired an additional 30% equity interest in Yongchun Country Garden for a cash consideration of RMB97,000,000. Yongchun Country Garden became a wholly owned subsidiary of the Group after the acquisition. The carrying amount of the non-controlling interests in Yongchun Country Garden on the date of acquisition was RMB61,890,000. The Group recognised a decrease in non-controlling interests of RMB61,890,000 and a decrease in equity attributable to owners of the Company of RMB35,110,000. The effect of changes in the ownership interest of the Group on the equity attributable to owners of the Company during the year is summarised as follows:

	RMB'000
Carrying amount of non-controlling interests acquired	61,890
Consideration paid to non-controlling interests	(97,000)
Excess of consideration paid recognised within equity	(35,110)

(ii) *Wuyishan Country Garden Property Development Co., Ltd. (“Wuyishan Country Garden”)*

On 6 November 2015, the Group acquired an additional 20% of equity interest in Wuyishan Country Garden for a cash consideration of RMB30,000,000. The Group held 80% equity interest of Wuyishan Country Garden after the acquisition. The carrying amount of the non-controlling interests in Wuyishan Country Garden on the date of acquisition was RMB18,262,000. The Group recognised a decrease in non-controlling interests of RMB9,131,000 and a decrease in equity attributable to owners of the Company of RMB20,869,000. The effect of changes in the ownership interest of the Group on the equity attributable to owners of the Company during the year is summarised as follows:

	RMB'000
Carrying amount of non-controlling interests acquired	9,131
Consideration paid to non-controlling interests	(30,000)
Excess of consideration paid recognised within equity	(20,869)

39 Transactions with non-controlling interests (Continued)**(b) Disposal of interests in subsidiaries without loss of control**

During the year, the Group disposed of interests ranging from 5% to 49% in 8 subsidiaries at a total consideration of RMB22,722,000. The carrying amount of the non-controlling interests in the subsidiaries on the date of disposal was RMB22,722,000. The Group recognised an increase in non-controlling interests of RMB22,722,000.

As at 31 December 2015, RMB16,722,000 of the above consideration has been received, the remaining portion will be received in 2016.

(c) The aggregate effects of the above transactions with non-controlling interests on the equity attributable to owners of the Company for the year ended 31 December 2015:

	RMB'000
Changes in equity attributable to owners of the Company arising from:	
– Acquisition of additional interests in subsidiaries	(55,979)
– Disposal of interests in subsidiaries without loss of control	–
Net effect for transactions with non-controlling interests on equity attributable to owners of the Company	(55,979)

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40 Business combination

(a) Acquisition of Suigang Baiyun Property Development Co., Ltd. (“Suigang Baiyun”)

On 29 April 2015, The Group acquired 100% equity interest of Suigang Baiyun from certain third parties for a total cash consideration of RMB464,026,000.

Suigang Baiyun’s principal activities are property development and management in the PRC.

The following table summarises the consideration paid, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB'000
Purchase consideration	
— Cash	464,026
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	1,780
Property, plant and equipment	1,087
Properties under development and completed properties held for sale	828,408
Trade and other receivables	40,575
Trade and other payables	(350,127)
Deferred tax assets	7,664
Total identifiable net assets	529,387
Gain on bargain purchase	(65,361)
	464,026
Outflow of cash to acquire business, net of cash acquired	
— Cash consideration	464,026
— Cash and cash equivalents in subsidiary acquired	(1,780)
Cash outflow on acquisition	462,246

The bargain purchase gain was mainly due to the fact that the sellers had the intention to exit from their investments in Suigang Baiyun due to various operational reasons.

The acquired business contributed revenue of RMB92,531,000 and net loss of RMB67,447,000 to the Group for the period from 29 April 2015 to 31 December 2015. If the acquisition had occurred on 1 January 2015, the revenue would have been RMB93,715,000 and net loss would have been RMB178,201,000 respectively for the year ended 31 December 2015. The directors consider these ‘pro-forma’ numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

40 Business combination (Continued)**(b) Acquisition of Nanjing Jin Mengdu Property Development Co., Ltd. (“Jin Mengdu”)**

On 4 July 2015, The Group acquired 85% equity interest of Jin Mengdu from certain third parties for a total cash consideration of RMB702,525,000.

Jin Mengdu’s principal activities are property development and management in the PRC.

The following table summarises the consideration paid, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB’000
Purchase consideration	
– Cash	702,525
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	27,116
Property, plant and equipment	1,528
Properties under development and completed properties held for sale	1,801,568
Trade and other receivables	4,975
Trade and other payables	(782,130)
Deferred tax liabilities	(225,447)
Total identifiable net assets	827,610
Non-controlling interests	(124,141)
Gain on bargain purchase	(944)
	702,525
Outflow of cash to acquire business, net of cash acquired	
– Cash consideration	702,525
– Cash and cash equivalents in subsidiary acquired	(27,116)
Cash outflow on acquisition	675,409

The bargain purchase gain was mainly due to the fact that the sellers had the intention to exit from their investments in Jin Mengdu due to various operational reasons.

The acquired business contributed revenue of RMB6,875,000 and net loss of RMB11,743,000 to the Group for the period from 4 July 2015 to 31 December 2015. If the acquisition had occurred on 1 January 2015, the revenue would have been RMB20,296,000 and the net loss would have been RMB16,287,000 respectively for the year ended 31 December 2015. The directors consider these ‘pro-forma’ numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

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40 Business combination (Continued)

(c) Acquisition of Foshan City Nanhai District Huaxing Property Development and Investment Co.,Ltd. (“Huaxing Property”)

On 4 December 2015, The Group acquired 51% equity interest of Huaxing Property from certain third parties for a total cash consideration of RMB82,209,000.

Huaxing Property’s principal activities are property development and management and investment in the PRC.

The following table summarises the consideration paid, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB'000
Purchase consideration	
— Cash	82,209
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	73,628
Property, plant and equipment	546
Properties under development and completed properties held for sale	1,263,521
Trade and other receivables	349,755
Trade and other payables	(761,297)
Prepaid taxes	34,521
Intangible assets	13
Advanced proceeds received from customers	(411,628)
Income taxes payable	(3,734)
Bank and other borrowings	(399,500)
Deferred tax liabilities	(36,193)
Total identifiable net assets	109,632
Non-controlling interests	(53,720)
Goodwill	26,297
	82,209
Outflow of cash to acquire business, net of cash acquired	
— Cash consideration	82,209
— Cash and cash equivalents in subsidiary acquired	(73,628)
Cash outflow on acquisition	8,581

As a result of the acquisition, the Group is expected to increase its presence in the market. It also expects to reduce costs through economies of scale. The goodwill of RMB26,297,000 arising from the acquisition is attributable to acquired customer base and economies of scale expected from combining the operations of the Group and Huaxing Property. None of the goodwill recognised is expected to be deductible for income tax purposes.

The acquired business contributed revenue of RMB386,560,000 and net profit of RMB41,154,000 to the Group for the period from 4 December 2015 to 31 December 2015. If the acquisition had occurred on 1 January 2015, the revenue would have been RMB386,560,000 and the net loss would have been RMB5,490,000 respectively for the year ended 31 December 2015. The directors consider these ‘pro-forma’ numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

40 Business combination (Continued)**(d) Acquisition of Guangdong Yehe Property Development Co., Ltd. (“Guangdong Yehe”)**

On 28 October 2015, The Group acquired 75.31% equity interest of Guangdong Yehe from certain third parties for a total cash consideration of RMB22,557,000.

Guangdong Yehe’s principal activities are property development and management in the PRC.

The following table summarises the consideration paid, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB'000
Purchase consideration	
— Cash	22,557
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	15,609
Property, plant and equipment	159
Properties under development and completed properties held for sale	547,436
Trade and other receivables	6,033
Trade and other payables	(341,560)
Prepaid taxes	2,289
Intangible assets	13
Advanced proceeds received from customers	(28,841)
Income taxes payable	(958)
Bank and other borrowings	(100,000)
Deferred tax liabilities	(18,726)
Total identifiable net assets	81,454
Non-controlling interests	(20,111)
Gain on bargain purchase	(38,786)
	22,557
Outflow of cash to acquire business, net of cash acquired	
— Cash consideration	22,557
— Cash and cash equivalents in subsidiary acquired	(15,609)
Cash outflow on acquisition	6,948

The bargain purchase gain was mainly due to the fact that the sellers had the intention to exit from their investments in Guangdong Yehe due to various operational reasons.

The acquired business contributed revenue of RMB13,486,000 and net loss of RMB1,068,000 to the Group for the period from 28 October 2015 to 31 December 2015. If the acquisition had occurred on 1 January 2015, the revenue would have been RMB54,252,000 and the net loss would have been RMB5,204,000 respectively for the year ended 31 December 2015. The directors consider these ‘pro-forma’ numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

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40 Business combination (Continued)

(e) Acquisition of Hunan Dongchen Zhidi Property Development Co., Ltd. (“Zhidi Property”)

On 25 August 2015, The Group acquired 43.35% equity interest of Zhidi Property from certain third parties for a total cash consideration of RMB197,931,000.

Zhidi Property’s principal activities are property development and management in the PRC.

As the Group has the rights to variable returns from its involvement in Zhidi Property and has the ability to affect those returns through its majority vote position in the board of directors of Zhidi Property and the right to determine the budget, pricing and promotion strategies of Zhidi Property, the Group has control over Zhidi Property and Zhidi Property is thus accounted for as a subsidiary of the Group.

The following table summarises the consideration paid, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB'000
Purchase consideration	
— Cash	197,931
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	15,713
Properties under development and completed properties held for sale	1,000,422
Trade and other receivables	265,975
Trade and other payables	(171,784)
Bank and other borrowings	(332,380)
Advanced proceeds received from customers	(308,553)
Income taxes payable	(14,916)
Deferred tax liabilities	(19,935)
Total identifiable net assets	434,542
Non-controlling interests	(246,168)
Goodwill	9,557
	197,931
Outflow of cash to acquire business, net of cash acquired	
— Cash consideration	197,931
— Cash and cash equivalents in subsidiary acquired	(15,713)
Cash outflow on acquisition	182,218

As a result of the acquisition, the Group is expected to increase its presence in the market. It also expects to reduce costs through economies of scale. The goodwill of RMB9,557,000 arising from the acquisition is attributable to acquired customer base and economies of scale expected from combining the operations of the Group and Zhidi Property. None of the goodwill recognised is expected to be deductible for income tax purposes.

The acquired business contributed net loss of RMB5,777,000 to the Group for the period from 25 August 2015 to 31 December 2015. If the acquisition had occurred on 1 January 2015, the net loss would have been RMB38,223,000 for the year ended 31 December 2015. The directors consider these ‘pro-forma’ numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

40 Business combination (Continued)**(f) Acquisition of Huizhou Junfeng Pengfeng Property Development Co., Ltd. (“Junfeng Pengfeng”)**

On 3 December 2015, The Group acquired 63% equity interest of Junfeng Pengfeng from certain third parties for a total cash consideration of RMB207,144,000.

Junfeng Pengfeng’s principal activities are property development and management in the PRC.

The following table summarises the consideration paid, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB’000
Purchase consideration	
– Cash	207,144
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	11
Property, plant and equipment	147
Properties under development and completed properties held for sale	497,604
Trade and other receivables	51,696
Trade and other payables	(243,156)
Intangible assets	7
Income taxes payable	(708)
Deferred tax liabilities	(63,182)
Total identifiable net assets	242,419
Non-controlling interests	(89,695)
Goodwill	54,420
	207,144
Outflow of cash to acquire business, net of cash acquired	
– Cash consideration	207,144
– Cash and cash equivalents in subsidiary acquired	(11)
Cash outflow on acquisition	207,133

As a result of the acquisition, the Group is expected to increase its presence in the market. It also expects to reduce costs through economies of scale. The goodwill of RMB54,420,000 arising from the acquisition is attributable to acquired customer base and economies of scale expected from combining the operations of the Group and Junfeng Pengfeng. None of the goodwill recognised is expected to be deductible for income tax purposes.

The acquired business contributed net loss of RMB4,047,000 to the Group for the period from 3 December 2015 to 31 December 2015. If the acquisition had occurred on 1 January 2015, the net loss would have been RMB15,736,000 for the year ended 31 December 2015. The directors consider these ‘pro-forma’ numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

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40 Business combination (Continued)

(g) Other business combinations

In 2015, The Group also acquired 93.5%, 47.68%, 89.68%, 45.90%, 43.35%, 100.00%, 51.00% and 54.00% equity interest of Dongguan City Junxuan Real Estate Co., Ltd., Dongguan City Tianhui Property Investment Co., Ltd., Dongguan City Yizhan Hengtai Property Development Co., Ltd., Huizhou City Huiyang Jingsheng Real Estate Co., Ltd., Hainan Baolian City (Bo'ao) Real Estate Co., Ltd., Guangdong Longyue Construction Co., Ltd., Foshan City Shunde District Dongyiwan Property Development Co., Ltd. and Huizhou Dayawan Haiyada Property Development Co., Ltd., respectively, from various third parties for a total cash consideration of RMB328,467,000.

The acquired companies' principal activities are property development and management and construction in the PRC.

As the Group has the rights to variable returns from its involvement with Dongguan City Tianhui Property Investment Co., Ltd., Huizhou City Huiyang Jingsheng Real Estate Co., Ltd., and Hainan Baolian City (Bo'ao) Real Estate Co., Ltd. and has the ability to affect those returns through its majority vote position in the board of directors of these companies and the right to determine the budget, pricing and promotion strategies of these companies, the Group has control over these companies and these companies are thus accounted for as subsidiaries of the Group.

The following table summarises the considerations paid, the fair value of assets acquired and liabilities assumed of these subsidiaries at the acquisition dates.

	RMB'000
Purchase consideration	
— Cash	328,467
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	233,276
Property, plant and equipment	45,721
Properties under development and completed properties held for sale	2,652,613
Trade and other receivables	2,025,448
Deferred tax assets	15,887
Intangible assets	86
Trade and other payables	(1,472,424)
Bank and other borrowings	(1,777,000)
Advanced proceeds received from customers	(798,967)
Income taxes payable	(34,981)
Deferred tax liabilities	(341,234)
Total identifiable net assets	548,425
Non-controlling interests	(206,734)
Gain on bargain purchase	(13,224)
Goodwill	—
	328,467
Outflow of cash to acquire business, net of cash acquired	
— Cash consideration	328,467
— Cash and cash equivalents in subsidiary acquired	(233,276)
Cash outflow on acquisition	95,191

40 Business combination (Continued)

(g) Other business combinations (Continued)

The bargain purchase gain was mainly due to the fact that the sellers had the intention to exit from their investments in these acquired businesses due to various operational reasons.

The acquired businesses contributed total revenues of RMB298,203,000 and total net loss of RMB25,632,000 to the Group for the period from their respective acquisition dates to 31 December 2015. If the acquisition had occurred on 1 January 2015, the total revenues would have been RMB298,223,000 and the total net losses would have been RMB77,493,000 respectively for the year ended 31 December 2015. The directors consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

41 Related party transactions

(a) Name and relationship with related parties

Existing shareholders

Ms. YANG Huiyan, Mr. YANG Erzhu, Mr. SU Rubo and Mr. OU Xueming.

Controlled by existing shareholders and/or their close family members

Guangdong Elite Architectural Co., Ltd.	廣東博意建築設計院有限公司
Qingyuan Country Garden Property Development Co., Ltd. ("Qingyuan Country Garden")	清遠碧桂園物業發展有限公司
Foshan Shunde Jiangkou Water Plant Co., Ltd*.	佛山市順德區江口自來水有限公司
Zengcheng Crystal Water Plant Co., Ltd.	增城市清源自來水廠有限公司
Guangdong Grand Pipe Pile Co., Ltd. ("Grand Pipe")	廣東鴻業管樁有限公司
Wanfang Construction Co., Ltd. ("Wanfang Construction")**	廣東萬方工程有限公司
Wanfang Stone Co., Ltd. ("Wanfang Stone")**	廣東萬方石業有限公司

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41 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Associates

Li He	廣州利合房地產開發有限公司
Longjiang Country Garden Property Development Co., Ltd.	佛山市順德區龍江碧桂園房地產開發有限公司
Chengdu Jinniu Property Development Co., Ltd.	成都市金牛碧桂園房地產開發有限公司
Wuhan Liansong Property Development Co., Ltd.	武漢聯松房地產有限公司

Joint ventures

Zhongshan Yahong	中山市雅鴻房地產開發有限公司
Qingyuan Country Garden Investment	清遠市碧桂園投資開發有限公司
Huanggang Country Garden Property Development Co., Ltd.	黃岡市碧桂園房地產開發有限公司
Wuhan Caidian Country Garden Property Development Co., Ltd.	武漢市蔡甸碧桂園房地產開發有限公司
Chengde Mila Property Development Co., Ltd.	承德米拉房地產開發有限公司
Hebei Zerui Property Development Co., Ltd.	河北澤瑞房地產開發有限公司
Sichuan Tonghui Property Development Co., Ltd.	四川省同匯房地產開發有限公司
Hubei Dinglong Taifu Science and Technology Industrial Park Co., Ltd.	湖北鼎龍泰富科技產業園有限公司

* Foshan Shunde Jiangkou Water Plant Co., Ltd. has ceased to be a related party to the Group since it was liquidated in 2014.

** Wanfang Construction and Wanfang Stone have ceased to be related parties to the Group since October 2014 after the change in their controlling shareholders.

The English names of certain of the companies referred to above in this note represent management's best efforts at translating the Chinese names of these companies as no English names have been registered or available.

41 Related party transactions (Continued)**(b) Transactions with related parties**

Saved as disclosed in other notes above, the Group had the following significant transactions with related parties during the year:

	2015 RMB'000	2014 RMB'000
(i) Construction and decoration service income:		
清遠碧桂園物業發展有限公司 Qingyuan Country Garden	85,617	209,917
佛山市順德區龍江碧桂園房地產開發有限公司 Longjiang Country Garden Property Development Co., Ltd.	40,591	-
成都市金牛碧桂園房地產開發有限公司 Chengdu Jinniu Property Development Co., Ltd.	21,997	-
承德米拉房地產開發有限公司 Chengde Mila Property Development Co., Ltd.	23,304	-
黃岡市碧桂園房地產開發有限公司 Huanggang Country Garden Property Development Co., Ltd.	55,945	-
武漢聯松房地產有限公司 Wuhan Liansong Property Development Co., Ltd.	30,837	-
河北澤瑞房地產開發有限公司 Hebei Zerui Property Development Co., Ltd.	20,359	-
清遠市碧桂園投資開發有限公司 Qingyuan Country Garden Investment and Development Co., Ltd.	4,177	-
武漢市蔡甸碧桂園房地產開發有限公司 Wuhan Caidian Country Garden Property Development Co., Ltd.	115	-
	282,942	209,917
	2015 RMB'000	2014 RMB'000
(ii) Purchase of design service:		
廣東博意建築設計院有限公司 Guangdong Elite Architectural Co., Ltd.	915,751	1,126,836

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41 Related party transactions (Continued)

(b) Transactions with related parties (Continued)

	2015 RMB'000	2014 RMB'000
(iii) Purchases of construction service and construction materials and water:		
廣東萬方工程有限公司 Wanfang Construction	-	241,614
佛山市順德區江口自來水有限公司 Foshan Shunde Jiangkou Water Plant Co., Ltd.	-	1,054
增城市清源自來水廠有限公司 Zengcheng Crystal Water Plant Co., Ltd.	4,323	7,051
廣東鴻業管樁有限公司 Grand Pipe	5,210	8,312
廣東萬方石業有限公司 Wanfang Stone	-	159,154
	9,533	417,185

The prices for the above service fees and purchases of construction materials and water were determined in accordance with the terms of the underlying agreements.

	2015 RMB'000	2014 RMB'000
(iv) Providing guarantee in respect of borrowings:		
廣州利合房地產開發有限公司 Li He (note 37)	1,781,900	2,233,980
中山市雅鴻房地產開發有限公司 Zhongshan Yahong (note 37)	-	65,000
	1,781,900	2,298,980

(c) Key management compensation

	2015 RMB'000	2014 RMB'000
Salaries and other short-term employee benefits	69,181	71,929
Bonus	22,161	26,998
Retirement scheme contributions	692	620
Other benefits and share-based compensation expenses	4,910	1,870
	96,944	101,417

41 Related party transactions (Continued)**(d) Balances with related parties**

As at 31 December 2015 and 2014, the Group had the following significant balances with related parties:

	2015 RMB'000	2014 RMB'000
(i) Balances due from related parties		
– included in amounts due from customers for contract work:		
清遠碧桂園物業發展有限公司 Qingyuan Country Garden	225,513	908,173
佛山市順德區龍江碧桂園房地產開發有限公司 Longjiang Country Garden Property Development Co., Ltd.	28,226	–
成都市金牛碧桂園房地產開發有限公司 Chengdu Jinniu Property Development Co., Ltd.	19,907	–
承德米拉房地產開發有限公司 Chengde Mila Property Development Co., Ltd.	4,514	–
黃岡市碧桂園房地產開發有限公司 Huanggang Country Garden Property Development Co., Ltd.	33,502	–
武漢聯松房地產有限公司 Wuhan Liansong Property Development Co., Ltd.	24,437	–
河北澤瑞房地產開發有限公司 Hebei Zerui Property Development Co., Ltd.	2,822	–
清遠市碧桂園投資開發有限公司 Qingyuan Country Garden Investment and Development Co., Ltd.	4,177	–
武漢市蔡甸碧桂園房地產開發有限公司 Wuhan Caidian Country Garden Property Development Co., Ltd.	115	–
	343,213	908,173

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41 Related party transactions (Continued)

(d) Balances with related parties (Continued)

	2015 RMB'000	2014 RMB'000
(i) Balances due from related parties (Continued)		
– included in other receivables and prepayments:		
廣東博意建築設計院有限公司 Guangdong Elite Architectural Co., Ltd.	296,408	360,894
清遠碧桂園物業發展有限公司 Qingyuan Country Garden	964,104	315,323
廣州利合房地產開發有限公司 Li He	2,439,745	2,039,745
中山市雅鴻房地產開發有限公司 Zhongshan Yahong	212,118	304,612
佛山市順德區龍江碧桂園房地產開發有限公司 Longjiang Country Garden Property Development Co., Ltd.	163,693	–
成都市金牛碧桂園房地產開發有限公司 Chengdu Jinniu Property Development Co., Ltd.	93,676	–
承德米拉房地產開發有限公司 Chengde Mila Property Development Co., Ltd.	38,112	–
黃岡市碧桂園房地產開發有限公司 Huanggang Country Garden Property Development Co., Ltd.	4,884	–
武漢聯松房地產有限公司 Wuhan Liansong Property Development Co., Ltd.	226,338	–
河北澤瑞房地產開發有限公司 Hebei Zerui Property Development Co., Ltd.	104,477	–
清遠市碧桂園投資開發有限公司 Qingyuan Country Garden Investment and Development Co., Ltd.	53,520	–
武漢市蔡甸碧桂園房地產開發有限公司 Wuhan Caidian Country Garden Property Development Co., Ltd.	582	–
	4,597,657	3,020,574

41 Related party transactions (Continued)

(d) Balances with related parties (Continued)

	2015 RMB'000	2014 RMB'000
(ii) Balances due to related parties – included in trade and other payables:		
廣東博意建築設計院有限公司 Guangdong Elite Architectural Co., Ltd.	2,021,815	1,038,237
增城市清源自來水廠有限公司 Zengcheng Crystal Water Plant Co., Ltd.	798	5,180
廣東鴻業管樁有限公司 Grand Pipe	6,689	392
清遠碧桂園物業發展有限公司 Qingyuan Country Garden Property Development Co., Ltd.	20,535	–
佛山市順德區龍江碧桂園房地產開發有限公司 Longjiang Country Garden Property Development Co., Ltd.	120,166	–
成都市金牛碧桂園房地產開發有限公司 Chengdu Jinniu Property Development Co., Ltd.	9,910	–
黃岡市碧桂園房地產開發有限公司 Huanggang Country Garden Property Development Co., Ltd.	26,900	–
武漢聯松房地產有限公司 Wuhan Liansong Property Development Co., Ltd.	90,000	–
河北澤瑞房地產開發有限公司 Hebei Zerui Property Development Co., Ltd.	94,656	–
清遠市碧桂園投資開發有限公司 Qingyuan Country Garden Investment and Development Co., Ltd.	45,498	–
武漢市蔡甸碧桂園房地產開發有限公司 Wuhan Caidian Country Garden Property Development Co., Ltd.	58,000	–
廣東萬方石業有限公司 Wanfang Stone	–	50,835
廣東萬方工程有限公司 Wanfang Construction	–	14,586
	2,494,967	1,109,230

Balances due from/to related parties are unsecured, interest-free and to be settled according to the contract terms.

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41 Related party transactions (Continued)

(d) Balances with related parties (Continued)

	2015 RMB'000	2014 RMB'000
(iii) Loans to joint ventures:		
At 1 January	-	-
Loans advanced during the year	772,950	-
Interest charged	12,037	-
Interest received	(9,016)	-
At 31 December	775,971	-

The loans advanced during the year included:

- The long-term loans of RMB242,950,000, RMB257,050,000 and RMB142,950,000 to Sichuan Tonghui Property Development Co., Ltd. (四川省同匯房地產開發有限公司) which are due on 8 November, 23 November and 16 December 2018, respectively, and bear an interest rate at 14.25% per annum.
- The short-term loan of RMB130,000,000 to Hubei Dinglong Taifu Science and Technology Industrial Park Co., Ltd. (湖北鼎龍泰富科技產業園有限公司) which was due on 31 January 2016 and bore an interest rate at 12% per annum.

42 Subsequent events

- (a) On 2 March 2016, the Company issued the first tranche of non-public corporate bonds with a principal amount of RMB4,000,000,000 and a tenure of 5 years. The coupon rate of the bonds is 4.75% per annum. At the end of the third year, the Company can adjust the coupon rate and investors can exercise retractable option.
- (b) On 14 January 2016, Zengcheng Country Garden issued the asset-backed securities with a principal amount of RMB2,945,500,000 to qualified investors in the PRC. The securities have a coupon rate of 5.10% per annum and a tenure of 4 years and are backed by certain contract receivables rights of Zengcheng Country Garden.
- (c) Subsequent to 31 December 2015 and up to the date of these financial statements, the Company has bought back and cancelled 190,947,000 of the Company's shares.

43 Statement of financial position and reserve movement of the Company

	Note	As at 31 December	
		2015 RMB'000	2014 RMB'000
Non-current assets			
Investments in subsidiaries		36,553,247	29,309,298
Current assets			
Amounts due from subsidiaries		29,104,296	25,705,230
Other receivables		393,151	2,781
Cash and cash equivalents		441,122	1,319,441
		29,938,569	27,027,452
Current liabilities			
Amounts due to subsidiaries		1,936,983	–
Other payables		344,997	1,171
Senior notes		–	2,538,757
Bank and other borrowings		883,964	1,439,277
		3,165,944	3,979,205
Net current assets		26,772,625	23,048,247
Total assets less current liabilities		63,325,872	52,357,545
Non-current liabilities			
Senior notes		20,878,179	19,735,005
Bank and other borrowings		10,007,668	4,477,510
Debenture		985,449	–
		31,871,296	24,212,515
Equity			
Share capital and premium		29,619,181	24,642,283
Other reserves	(a)	86,446	56,335
Retained earnings	(a)	1,748,949	3,446,412
Total equity		31,454,576	28,145,030
Total equity and non-current liabilities		63,325,872	52,357,545

The statement of financial position of the Company was approved by the Board of Directors on 15 March 2016 and were signed on its behalf.

MO Bin
Director

WU Jianbin
Director

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43 Statement of financial position and reserve movement of the Company
(Continued)

Note (a) Reserve movement of the Company

	Retained earnings RMB'000	Other reserves RMB'000	Total RMB'000
At 1 January 2014	3,205,941	18,167	3,224,108
Profit for the year	3,339,282	–	3,339,282
Dividends paid relating to 2013	(3,098,811)	–	(3,098,811)
Employee share schemes – value of employee services	–	38,168	38,168
At 31 December 2014	3,446,412	56,335	3,502,747
At 1 January 2015	3,446,412	56,335	3,502,747
Profit for the year	3,076,112	–	3,076,112
Dividends relating to 2014 and 2015	(4,773,575)	–	(4,773,575)
Employee share schemes – value of employee services	–	30,111	30,111
At 31 December 2015	1,748,949	86,446	1,835,395

44 Particulars of principal subsidiaries

The following is a list of principal subsidiaries at 31 December 2015, all of these are limited liability companies:

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Directly held by the Company:					
Incorporated in the BVI and operates in the PRC:					
Smart World Development Holdings Ltd	28 March 2006	USD300	100%	–	Investment holding
Indirectly held by the Company:					
Incorporated in Hong Kong and operates in Hong Kong:					
Country Garden (Hong Kong) Development Company Limited	21 September 2005	HKD1	100%	–	Investment holding
Incorporated in the BVI and operate in Hong Kong:					
Estonia Development Ltd	21 March 2006	USD200	100%	–	Investment holding and rendering of property related sales services
Angel View International Limited	7 April 2006	USD200	100%	–	Investment holding and rendering of property related sales services
Incorporated in the BVI and operate in the PRC:					
Falcon Investments Development Ltd	21 March 2006	USD300	100%	–	Investment holding
United Gain Group Ltd	28 March 2006	USD200	100%	–	Investment holding

44 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Wise Fame Group Ltd	28 March 2006	USD300	100%	–	Investment holding
Boavista Investments Limited	7 April 2006	USD200	100%	–	Investment holding
Impreza Group Limited	7 April 2006	USD300	100%	–	Investment holding
Infiniti Holdings Development Limited	7 April 2006	USD300	100%	–	Investment holding
Bright Start Group Limited	19 July 2011	USD1	100%	–	Investment holding
Pure Smart Enterprises Limited	19 July 2011	USD1	100%	–	Investment holding
Top Favor Holding Limited	19 July 2011	USD1	100%	–	Investment holding
Golden Favor Investments Limited	19 July 2011	USD1	100%	–	Investment holding
Power Great Enterprises Limited	10 December 2007	USD1	100%	–	Investment holding
Great Favor Investments Limited	16 July 2013	USD1	100%	–	Investment holding
Silver Dawn Holding Limited	23 January 2014	USD1	100%	–	Investment holding
Tin Spring Limited	15 June 2015	USD1	100%	–	Investment holding
Scenic Reserve Limited	2 October 2015	USD1	100%	–	Investment holding
Established and operate in the PRC:					
Guangdong Giant Leap Construction Co., Ltd. 廣東騰越建築工程有限公司	25 March 1997	RMB900,000,000	100%	–	Construction
Foshan Shunde Country Garden Property Development Co., Ltd. 佛山市順德區碧桂園物業發展有限公司	2 April 1997	RMB1,387,500,000	100%	–	Property development
Guangzhou Country Garden Property Development Co., Ltd. 廣州碧桂園物業發展有限公司	30 July 1998	RMB506,000,000	100%	–	Property development
Foshan Shunde Finest Decoration & Design Enterprise 佛山市順德區雅駿裝飾設計工程有限公司	9 August 1999	RMB300,000,000	100%	–	Decoration and design
Zengcheng Country Garden Property Development Co., Ltd. 增城市碧桂園物業發展有限公司	22 September 2000	RMB1,448,200,000	100%	–	Property development
Guangzhou Nansha Economic and Technological Development Zone Country Garden Property Development Co., Ltd. 廣州南沙經濟技術開發區碧桂園物業發展有限公司	2 August 2001	RMB1,764,473,626	100%	–	Property development
Guangzhou Huadou Country Garden Property Development Co., Ltd. 廣州市花都碧桂園物業發展有限公司	24 January 2002	RMB462,500,000	100%	–	Property development
Heshan Country Garden Property Development Co., Ltd. 鶴山市碧桂園物業發展有限公司	9 July 2003	RMB963,000,000	100%	–	Property development
Changsha Venice Palace Property Development Co., Ltd. 長沙威尼斯城房地產開發有限公司	1 August 2003	RMB233,000,000	100%	–	Property development

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44 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Jiangmen East Coast Country Garden Property Development Co., Ltd. 江門市東岸房地產發展有限公司	13 August 2003	RMB650,000,000	100%	–	Property development
Jiangmen Xinhui Country Garden Phoenix Hotel Co., Ltd 江門新會碧桂園鳳凰酒店有限公司	13 August 2003	RMB130,100,000	100%	–	Hotel operation
Jiangmen Wuyi Country Garden Property Development Co., Ltd. 江門市五邑碧桂園房地產開發有限公司	28 September 2003	RMB863,000,000	100%	–	Property development
Heshan Country Garden Phoenix City Hotel Co., Ltd. 鶴山市碧桂園鳳凰酒店有限公司	29 September 2003	RMB116,300,000	100%	–	Hotel operation
Foshan Gaoming Country Garden Property Development Co., Ltd. 佛山市高明區碧桂園房地產開發有限公司	13 January 2004	RMB1,162,500,000	100%	–	Property development
Zengcheng Country Garden Phoenix City Hotel Co., Ltd. 增城市碧桂園鳳凰城酒店有限公司	13 January 2004	RMB500,700,000	100%	–	Hotel operation
Shenyang Hua Rui Real Estate Co., Ltd. 瀋陽華銳置業有限公司	25 March 2004	RMB580,000,000	100%	–	Property development
Qingyuan Country Garden Holiday Islands Hotel Co., Ltd. 清遠市碧桂園假日半島酒店有限公司	5 April 2004	RMB131,300,000	100%	–	Hotel operation
Changsha Economic and Technological Development Area Venice Palace Hotel Co., Ltd. 長沙經濟技術開發區威尼斯酒店有限公司	6 December 2004	RMB110,800,000	100%	–	Hotel operation
Foshan Nanhai Country Garden Property Development Co., Ltd. 佛山市南海區碧桂園房地產開發有限公司	24 December 2004	RMB365,200,000	100%	–	Property development
Jiangmen Wuyi Country Garden Phoenix Hotel Co., Ltd. 江門市五邑碧桂園鳳凰酒店有限公司	14 January 2005	RMB103,800,000	100%	–	Hotel operation
Yangjiang Country Garden Phoenix Hotel Co., Ltd. 陽江市碧桂園鳳凰酒店有限公司	2 February 2005	RMB130,750,624	100%	–	Hotel operation
Yangdong Country Garden Property Development Co., Ltd. 陽東縣碧桂園房地產開發有限公司	2 February 2005	RMB197,351,958	100%	–	Property development
Taishan Country Garden Property Development Co., Ltd. 台山市碧桂園房地產開發有限公司	21 March 2005	RMB322,228,631	100%	–	Property development
Foshan Gaoming Country Garden Phoenix Hotel Co., Ltd. 佛山市高明區碧桂園鳳凰酒店有限公司	30 September 2005	RMB163,100,000	100%	–	Hotel operation
Shaoguan Shunhong Property Development Co., Ltd. 韶關市順宏房地產開發有限公司	12 July 2006	RMB747,800,000	100%	–	Property development

44 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Manzhouli Country Garden Property Development Co., Ltd. 滿洲里碧桂園房地產開發有限公司	12 December 2006	RMB357,900,000	100%	–	Property development
Chaohu Country Garden Property Development Co., Ltd. 巢湖市碧桂園房地產開發有限公司	18 December 2006	RMB1,115,200,000	100%	–	Property development
Taizhou Country Garden Property Development Co., Ltd. 泰州市碧桂園房地產開發有限公司	5 January 2007	RMB548,300,000	100%	–	Property development
Shenyang Country Garden Property Development Co., Ltd. 瀋陽市碧桂園房地產開發有限公司	11 January 2007	RMB1,350,000,000	100%	–	Property development
Lechang Country Garden Property Development Co., Ltd. 樂昌市碧桂園房地產開發有限公司	15 February 2007	RMB124,800,000	100%	–	Property development
Shenyang Hunnan Xincheng Country Garden Property Development Co., Ltd. 瀋陽渾南新城碧桂園房地產開發有限公司	25 April 2007	RMB1,540,000,000	100%	–	Property development
Shenyang Yidong Real Estate Co., Ltd. 瀋陽伊東置業有限公司	25 April 2007	RMB460,512,978	100%	–	Property development
Enging Country Garden Property Development Co., Ltd. 恩平市碧桂園房地產開發有限公司	28 April 2007	RMB220,000,000	100%	–	Property development
Zhangjiajie Country Garden Property Development Co., Ltd. 張家界碧桂園置業有限公司	8 May 2007	RMB330,000,000	100%	–	Property development
Anhui Hexian Country Garden Property Development Co., Ltd. 安徽和縣碧桂園房地產開發有限公司	15 May 2007	RMB750,000,000	100%	–	Property development
Anhui Hexian Huarui Real Estate Co., Ltd. 安徽和縣華瑞置業有限公司	15 May 2007	RMB218,842,923	100%	–	Property development
Shenyang Shenbei Xincheng Yidong Real Estate Co., Ltd. 瀋陽瀋北新城伊東置業有限公司	18 May 2007	RMB750,000,000	100%	–	Property development
Tianjin Xinbi Investment Development Co., Ltd. 天津新碧投資發展有限公司	25 May 2007	RMB460,000,000	100%	–	Investment holding
Shaoguan Country Garden Property Development Co., Ltd. 韶關市碧桂園房地產開發有限公司	5 June 2007	RMB750,000,000	100%	–	Property development
Changsha Ningxiang Country Garden Property Development Co., Ltd. 長沙市寧鄉碧桂園房地產開發有限公司	5 June 2007	RMB230,000,000	100%	–	Property development
Anhui Zhongmiao Country Garden Property Development Co., Ltd. 安徽中廟碧桂園房地產開發有限公司	8 June 2007	RMB420,000,000	100%	–	Property development
Anhui Hexian Country Garden Phoenix Hotel Co., Ltd. 安徽和縣碧桂園鳳凰酒店有限公司	8 June 2007	RMB200,000,000	100%	–	Hotel operation

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44 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Shanwei Country Garden Property Development Co., Ltd. 汕尾市碧桂園房地產開發有限公司	12 June 2007	RMB100,000,000	100%	–	Property development
Zhaoqing Sihui Huaping Real Estate Co., Ltd 肇慶四會華平置業有限公司	21 June 2007	RMB216,167,341	100%	–	Property development
Sihui Country Garden Property Development Co., Ltd. 四會市碧桂園房地產開發有限公司	22 June 2007	RMB320,000,000	100%	–	Property development
Keyou Qianqi Country Garden Property Development Co., Ltd. 科右前旗碧桂園房地產開發有限公司	29 July 2007	RMB180,000,000	100%	–	Property development
Chizhou Country Garden Property Development Co., Ltd. 池州市碧桂園房地產開發有限公司	30 July 2007	RMB251,000,000	100%	–	Property development
Chongqing Country Garden Property Development Co., Ltd. 重慶市碧桂園房地產開發有限公司	3 August 2007	RMB310,000,000	100%	–	Property development
Chongqing Country Garden Phoenix Hotel Co., Ltd 重慶市碧桂園鳳城酒店有限公司	3 August 2007	RMB100,000,000	100%	–	Hotel operation
Xianning Country Garden Property Development Co., Ltd. 咸寧碧桂園房地產開發有限公司	8 August 2007	RMB250,000,000	100%	–	Property development
Yiyang Country Garden Property Development Co., Ltd. 益陽市碧桂園房地產開發有限公司	10 August 2007	RMB150,000,000	100%	–	Property development
Haicheng Country Garden Property Development Co., Ltd. 海城市碧桂園房地產開發有限公司	30 August 2007	RMB350,000,000	100%	–	Property development
Lufeng Country Garden Property Development Co., Ltd. 陸豐碧桂園房地產開發有限公司	30 August 2007	RMB100,000,000	100%	–	Property development
Maoming Country Garden Property Development Co., Ltd. 茂名市碧桂園房地產開發有限公司	31 August 2007	RMB350,000,000	100%	–	Property development
Suizhou Country Garden Property Development Co., Ltd. 隨州碧桂園房地產開發有限公司	31 August 2007	RMB580,000,000	100%	–	Property development
Yangshan Country Garden Property Development Co., Ltd. 陽山碧桂園房地產開發有限公司	5 September 2007	RMB130,000,000	100%	–	Property development
Anqing Country Garden Property Development Co., Ltd. 安慶碧桂園房地產開發有限公司	27 September 2007	RMB740,000,000	100%	–	Property development

44 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Anqing Country Garden Phoenix Hotel Co., Ltd 安慶碧桂園鳳凰酒店有限公司	29 September 2007	RMB150,000,000	100%	–	Hotel operation
Huangshan Country Garden Property Development Co., Ltd. 黃山碧桂園房地產開發有限公司	30 September 2007	RMB180,000,000	100%	–	Property development
Shenyang Huiying Real Estate Co., Ltd 瀋陽匯盈置業有限公司	9 October 2007	RMB358,416,054	100%	–	Property development
Shenyang Dedi Real Estate Co., Ltd 瀋陽德地置業有限公司	9 October 2007	RMB369,851,683	100%	–	Property development
Tongliao Country Garden Property Development Co., Ltd. 通遼碧桂園房地產開發有限公司	15 October 2007	RMB500,000,000	100%	–	Property development
Wuhu Country Garden Property Development Co., Ltd. 蕪湖晉晉房地產開發有限公司	5 November 2007	RMB800,000,000	100%	–	Property development
Liuyang Country Garden Property Development Co., Ltd. 瀏陽碧桂園房地產開發有限公司	4 December 2007	RMB168,000,000	100%	–	Property development
Zhaqing Country Garden Furniture Co., Ltd 肇慶市碧桂園現代家居有限公司	12 December 2007	RMB210,376,103	100%	–	Manufacturing of furniture
Huidong Country Garden Property Development Co., Ltd. 惠東碧桂園房地產開發有限公司	23 January 2008	RMB450,000,000	100%	–	Property development
Suihua Country Garden Property Development Co., Ltd. 綏化碧桂園房地產開發有限公司	17 July 2008	RMB100,000,000	100%	–	Property development
Jingmen Country Garden Property Development Co., Ltd. 荊門碧桂園房地產開發有限公司	10 September 2008	RMB130,000,000	100%	–	Property development
Tianjin Balizhou Country Garden Property Development Co., Ltd. 天津八里洲碧桂園房地產開發有限公司	25 September 2008	RMB183,000,000	100%	–	Property development
Qingyuan Zhuoyue Hongjian Real Estate Investment Co., Ltd 清遠市卓越弘建置業投資有限公司	27 October 2009	RMB130,000,000	100%	–	Property development
Shenyang Giant Leap Construction Co., Ltd 瀋陽騰越建築工程有限公司	10 December 2009	RMB130,000,000	100%	–	Construction
Jiangmen Xinhui Country Garden Property Development Co., Ltd 江門市新會區碧桂園房地產開發有限公司	12 January 2010	RMB180,000,000	100%	–	Property development
Maoming Shuidongwan Country Garden Property Development Co., Ltd 茂名市水東灣碧桂園房地產開發有限公司	20 January 2010	RMB200,000,000	100%	–	Property development
Jiangmen Jianghai Country Garden Property Development Co., Ltd 江門市江海區碧桂園房地產開發有限公司	13 January 2010	RMB120,000,000	100%	–	Property development

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44 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Wuhan Country Garden Lianfa Investment Co., Ltd 武漢碧桂園聯發投資有限公司	21 January 2010	RMB200,000,000	52%	48%	Property development
Jurong Country Garden Property Development Co., Ltd 句容碧桂園房地產開發有限公司	12 August 2010	RMB3,138,861,637	100%	–	Property development
Chuzhou Country Garden Property Development Co., Ltd 滁州碧桂園房地產開發有限公司	17 August 2010	RMB250,000,000	100%	–	Property development
Haifeng Country Garden Property Development Co., Ltd 海豐碧桂園房地產開發有限公司	26 October 2010	RMB105,000,000	100%	–	Property development
Heshan Zhishan Country Garden Property Development Co., Ltd 鶴山市址山碧桂園房地產開發有限公司	23 November 2010	RMB250,000,000	80%	20%	Property development
Heyuan Country Garden Property Development Co., Ltd 河源市碧桂園房地產開發有限公司	7 December 2010	RMB300,000,000	100%	–	Property development
Dongguan Country Garden Property Development Co., Ltd. 東莞市碧桂園房地產開發有限公司	25 September 2010	RMB600,000,000	100%	–	Property development
Foshan Chancheng Country Garden Property Development Co., Ltd. 佛山市禪城區碧桂園房地產開發有限公司	13 November 2010	RMB1,000,000,000	90%	10%	Property development
Shenyang Qipanshan Country Garden Property Development Co., Ltd. 瀋陽市棋盤山碧桂園房地產開發有限公司	28 September 2010	RMB176,134,163	100%	–	Property development
Wuhan Eco-city Country Garden Investment Co., Ltd. 武漢生態城碧桂園投資有限公司	4 December 2010	RMB500,000,000	55%	45%	Property development
Laian Country Garden Property Development Co., Ltd 來安碧桂園房地產開發有限公司	15 December 2010	RMB450,000,000	100%	–	Property development
Foshan Shunde Longjiang Country Garden Phoenix Hotel Co., Ltd 佛山市順德區龍江鎮碧桂園鳳凰酒店有限公司	11 November 2010	RMB100,000,000	100%	–	Hotel operation
Qingyuan Holiday Islands Country Garden Property Development Co., Ltd. 清遠假日半島碧桂園置業發展有限公司	7 July 2010	RMB120,000,000	100%	–	Property development
Hubei Lianzhi Country Garden Zishanhu Property Development Co., Ltd. 湖北聯置碧桂園梓山湖房地產開發有限公司	29 December 2011	RMB500,000,000	51%	49%	Property development
Jiangmen Xinhui Daze Country Garden Property Development Co., Ltd. 江門市新會區大澤碧桂園房地產開發有限公司	2 December 2011	RMB310,000,000	100%	–	Property development

44 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Hubei Liantou Country Garden Investment Co., Ltd. 湖北聯投碧桂園投資有限公司	23 November 2011	RMB141,630,000	51%	49%	Property development
Xiangtan Country Garden Property Development Co., Ltd. 湘潭碧桂園房地產開發有限公司	12 January 2011	RMB200,000,000	100%	–	Property development
Meizhou Country Garden Property Development Co., Ltd 梅州市碧桂園房地產開發有限公司	4 January 2011	RMB200,000,000	100%	–	Property development
Qingyuan Country Garden Xinya Property Development Co., Ltd 清遠碧桂園新亞房地產開發有限公司	25 January 2011	RMB300,000,000	100%	–	Property development
Wuxi Country Garden Property Development Co., Ltd 無錫市碧桂園房地產開發有限公司	14 January 2011	RMB398,000,000	100%	–	Property development
Guangzhou Shilou Country Garden Property Development Co., Ltd 廣州市石樓碧桂園物業發展有限公司	2 April 2011	RMB350,000,000	100%	–	Property development
Hangzhou Country Garden Property Development Co., Ltd 杭州碧桂園房地產開發有限公司	1 April 2011	RMB862,576,465	100%	–	Property development
Dongguan Dexia Country Garden Property Development Co., Ltd 東莞市德廈碧桂園房地產開發有限公司	13 April 2011	RMB250,000,000	100%	–	Property development
Kaiping Country Garden Property Development Co., Ltd 開平市碧桂園房地產開發有限公司	9 June 2011	RMB300,000,000	100%	–	Property development
Chenzhou Country Garden Property Development Co., Ltd 郴州碧桂園房地產開發有限公司	7 July 2011	RMB190,000,000	100%	–	Property development
Hainan Wenchang Country Garden Property Development Co., Ltd 海南文昌碧桂園房地產開發有限公司	17 January 1994	RMB100,000,000	100%	–	Property development
Zhangjiu Country Garden Phoenix Hotel Co., Ltd 章丘市碧桂園房地產開發有限公司	17 August 2011	RMB100,000,000	100%	–	Property development
Chongqing Qianjiang Country Garden Property Development Co., Ltd 重慶市黔江碧桂園房地產開發有限公司	9 May 2012	RMB180,000,000	100%	–	Property development
Jiaoling Country Garden Property Development Co., Ltd 蕉嶺碧桂園房地產開發有限公司	8 June 2012	RMB120,000,000	100%	–	Property development
Hainan Lingao Country Garden Fangyuan Property Development Co., Ltd 海南臨高碧桂園方園房地產開發有限公司	22 August 2012	RMB408,163,300	51%	49%	Property development
Rudong Country Garden Property Development Co., Ltd 如東碧桂園房地產開發有限公司	7 September 2012	RMB180,000,000	100%	–	Property development
Yixing Country Garden Property Development Co., Ltd 宜興市碧桂園房地產開發有限公司	25 September 2012	RMB315,265,000	100%	–	Property development

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44 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Danyang Country Garden Property Development Co., Ltd 丹陽碧桂園房地產開發有限公司	23 October 2012	RMB437,649,768	100%	–	Property development
Jingjiang Country Garden Property Development Co., Ltd 靖江市碧桂園房地產開發有限公司	30 January 2013	RMB100,000,000	100%	–	Property development
Xuancheng Country Garden Property Development Co., Ltd 宣城碧桂園房地產開發有限公司	30 January 2013	RMB150,000,000	100%	–	Property development
Rugao Country Garden Property Development Co., Ltd 如皋市碧桂園房地產開發有限公司	19 February 2013	RMB150,000,000	100%	–	Property development
Yongchun Country Garden Property Development Co., Ltd 永春碧桂園房地產開發有限公司	21 February 2013	RMB200,000,000	100%	–	Property development
Lanzhou Country Garden Property Development Co., Ltd 蘭州碧桂園房地產開發有限公司	1 February 2013	RMB450,000,000	100%	–	Property development
Yunfu Xijiang new city Country Garden Property Development Co., Ltd 雲浮市西江新城碧桂園房地產開發有限公司	1 April 2013	RMB100,000,000	100%	–	Property development
Haiyang Honghui Property Development Co., Ltd 海陽鴻輝發展有限公司	19 March 2010	RMB107,700,000	90%	10%	Property development
Guangzhou Anhua logistics Co., Ltd 廣州安華物流有限公司	13 August 2003	RMB140,000,000	100%	–	Logistics
Heshan Gonghe Country Garden Property Development Co., Ltd 鶴山市共和碧桂園房地產開發有限公司	8 April 2013	RMB260,000,000	100%	–	Property development
Quzhou Country Garden Property Development Co., Ltd 衢州碧桂園房地產開發有限公司	7 April 2013	RMB200,000,000	100%	–	Property development
Guangyuan Country Garden Property Development Co., Ltd 廣元碧桂園投資有限公司	15 April 2013	RMB200,000,000	100%	–	Property development
Gaozhou Country Garden Property Development Co., Ltd 高州市碧桂園房地產開發有限公司	15 April 2013	RMB120,000,000	100%	–	Property development
Nan'an Country Garden Property Development Co., Ltd 南安碧桂園房地產開發有限公司	5 June 2013	RMB150,000,000	80%	20%	Property development
Zibo Country Garden Property Development Co., Ltd 淄博市碧桂園房地產開發有限公司	17 June 2013	RMB100,000,000	100%	–	Property development
Pingxiang Country Garden Property Development Co., Ltd 萍鄉市碧桂園物業發展有限公司	3 July 2013	RMB100,000,000	100%	–	Property development
Zhuji Country Garden Property Development Co., Ltd 諸暨碧桂園房地產開發有限公司	5 July 2013	RMB100,000,000	100%	–	Property development

44 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Chongqing Bishan Country Garden Property Development Co., Ltd 重慶市璧山碧桂園房地產開發有限公司	2 August 2013	RMB300,000,000	100%	–	Property development
Lu'an Country Garden Property Development Co., Ltd 六安碧桂園房地產開發有限公司	6 August 2013	RMB210,000,000	100%	–	Property development
Sanming Country Garden Property Development Co., Ltd 三明市碧桂園房地產開發有限公司	26 August 2013	RMB100,000,000	100%	–	Property development
Nantong Country Garden Property Development Co., Ltd 南通市碧桂園房地產開發有限公司	4 September 2013	RMB300,000,000	100%	–	Property development
Cixi Country Garden Property Development Co., Ltd 慈溪市碧桂園房地產開發有限公司	27 September 2013	RMB200,000,000	100%	–	Property development
Zoucheng Country Garden Property Development Co., Ltd 鄒城市碧桂園房地產開發有限公司	22 September 2013	RMB100,000,000	100%	–	Property development
Wuzhou Hefu Country Garden Property Development Co., Ltd 梧州市合富房地產開發有限公司	8 July 2011	RMB100,000,000	80%	20%	Property development
Wuyishan Country Garden Property Development Co., Ltd 武夷山市碧桂園房地產開發有限公司	28 October 2013	RMB100,000,000	80%	20%	Property development
Haining Country Garden Property Development Co., Ltd 海寧碧桂園房地產開發有限公司	29 October 2013	RMB100,000,000	100%	–	Property development
Nantong Tongzhou Country Garden Property Development Co., Ltd 南通市通州區碧桂園房地產開發有限公司	8 November 2013	RMB200,000,000	100%	–	Property development
Pinghu Country Garden Property Development Co., Ltd 平湖碧桂園深商投商用置業有限公司	6 November 2013	RMB200,000,000	70%	30%	Property development
Qingdao Chengyang Country Garden Property Development Co., Ltd 青島城陽碧桂園房地產開發有限公司	11 December 2013	USD50,000,000	100%	–	Property development
Dongguan river bank garden Property Development Co., Ltd 東莞江畔花園建造有限公司	23 December 1992	RMB100,000,000	99.9%	0.1%	Property development
Wuxi Xinbi Country Garden Property Development Co., Ltd 無錫市新碧房地產開發有限公司	20 August 2013	USD98,000,000	100%	–	Property development
Haiyang Bihang Development Co., Ltd 海陽碧航發展有限公司	29 September 2013	USD20,000,000	100%	–	Houseboat
Zhangjiagang Country Garden Property Development Co., Ltd. 張家港碧桂園房地產開發有限公司	16 December 2013	USD60,000,000	100%	–	Property development
Zhengzhou Hanfeng Property Development Co., Ltd. 鄭州翰鋒置業有限公司	9 January 2014	RMB220,464,000	51%	49%	Property development

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Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Fuding Country Garden Property Development Co., Ltd. 福鼎碧桂園房地產開發有限公司	13 January 2014	RMB100,000,000	100%	–	Property development
Haiyan Country Garden Property Development Co., Ltd. 海鹽碧桂園房地產開發有限公司	12 February 2014	RMB150,000,000	100%	–	Property development
Jiangyin Gaoxing District Country Garden Property Development Co., Ltd. 江陰高新區碧桂園置業有限公司	13 February 2014	RMB100,000,000	100%	–	Property development
Putian Country Garden Property Development Co., Ltd. 莆田市碧桂園房地產開發有限公司	20 February 2014	RMB100,000,000	100%	–	Property development
Hainan Lingshui Country Garden Runda Property & Investment Co., Ltd. 海南陵水碧桂園潤達投資置業有限公司	11 April 2014	RMB200,000,000	55%	45%	Property development
Foshan Shunde Daliang Country Garden Property Development Co., Ltd. 佛山市順德區大良碧桂園房地產開發有限公司	11 April 2014	USD40,000,000	100%	–	Property development
Ningde Tianmao Country Garden Property Development Co., Ltd. 甯德市碧桂園天茂房地產開發有限公司	3 July 2013	RMB150,000,000	55%	45%	Property development
Jiujiang Country Garden Property Development Co., Ltd. 九江碧桂園房地產開發有限公司	11 July 2013	RMB122,000,000	100%	–	Property development
Wenzhou Xinghan Country Garden Property Development Co., Ltd. 溫州星漢置業有限公司	22 April 2013	RMB100,000,000	70%	30%	Property development
Dongtai Country Garden Property Development Co., Ltd. 東台市碧桂園房地產開發有限公司	7 November 2013	RMB100,000,000	100%	–	Property development
Yueyang Country Garden Property Development Co., Ltd. 岳陽市碧桂園房地產開發有限公司	11 April 2014	RMB100,000,000	100%	–	Property development
Zhuzi Datang Country Garden Property Development Co., Ltd. 諸暨大唐碧桂園房地產開發有限公司	29 November 2013	RMB160,000,000	51%	49%	Property development
Guangdong Yaokang Investment Co., Ltd. 廣東耀康投資有限公司	20 April 2015	USD30,000,000	100%	–	Investment
Foshan Shunde Country Garden Property Co., Ltd. 佛山市順德區碧桂園地產有限公司	20 April 2015	RMB71,080,020,339	100%	–	Property development
Hubei Country Garden Property Development Co., Ltd. 湖北省碧桂園房地產開發有限公司	13 August 2015	RMB1,000,000,000	100%	–	Property development
Shenzhen Country Garden Property Investment Co., Ltd. 深圳市碧桂園房地產投資有限公司	25 August 2015	RMB1,000,000,000	100%	–	Property development

44 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Suigang Baiyun Property Development Co., Ltd. 瀋陽德港白雲房地產投資開發有限公司	15 October 2002	RMB809,007,920	100%	–	Property development
Taicang Country Garden Property Development Co., Ltd. 太倉碧桂園房地產開發有限公司	5 May 2015	RMB700,000,000	100%	–	Property development
Taicang Xincheng Country Garden Real Estate Co., Ltd. 太倉新城碧桂園置業有限公司	1 July 2015	RMB300,000,000	100%	–	Property development
Bozhou Runyu Property Development Co., Ltd. 亳州潤宇房地產開發有限公司	9 April 2015	RMB277,409,697	100%	–	Property development
Hunan Dongchen Zhidi Property Development Co., Ltd.* 湖南東宸智地房地產開發有限公司	18 May 2009	RMB463,840,100	43%	57%	Property development
Hangzhou Country Garden Fugao Real Estate Co., Ltd. 杭州碧桂園富高置業有限公司	2 September 2015	RMB100,000,000	100%	–	Property development
Luijiang Country Garden Property Development Co., Ltd. 廬江碧桂園房地產開發有限公司	7 September 2015	RMB100,000,000	100%	–	Property development
Changshu Yushan Country Garden Property Development Co., Ltd. 常熟市虞山碧桂園房地產開發有限公司	21 September 2015	RMB100,000,000	100%	–	Property development
Anhui Country Garden Property Development Co., Ltd. 安徽碧桂園房地產開發有限公司	28 August 2015	RMB100,000,000	100%	–	Property development
Xiangyang Country Garden Real Estate Co., Ltd.* 襄陽碧桂園置業有限公司	2 September 2015	RMB100,000,000	44%	56%	Property development
Foshan Shunde Guoying Property Co., Ltd.* 佛山順德國瀛房地產有限公司	1 September 2014	RMB196,078,431	46%	54%	Property development
Huidong Country Garden Huacheng Property Development Co., Ltd.* 惠東縣碧桂園華成房地產開發有限公司	13 March 2015	RMB110,860,000	46%	54%	Property development
Foshan Sanshui Country Garden Property Development Co., Ltd. 佛山市三水區碧桂園房地產開發有限公司	28 May 2015	RMB100,000,000	94%	6%	Property development
Tongcheng Country Garden Property Development Co., Ltd. 桐城碧桂園房地產開發有限公司	14 August 2015	RMB100,000,000	85%	15%	Property development
Fuyang Country Garden Property Development Co., Ltd. 阜陽碧桂園房地產開發有限公司	21 December 2015	RMB100,000,000	60%	40%	Property development
Fuzhou Shenbi Property Development Co., Ltd. 福州市深碧房地產開發有限公司	24 July 2015	RMB100,000,000	51%	49%	Property development

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44 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Jiangmen Pengjiang Country Garden Property Development Co., Ltd.* 江門市蓬江區碧桂園房地產開發有限公司	29 July 2015	RMB100,000,000	47%	53%	Property development
Zhengzhou Country Garden Hailong Real Estate Co., Ltd. 鄭州碧桂園海龍置業有限公司	15 December 2015	RMB100,000,000	51%	49%	Property development
Huizhou Dayawan Haiyada Property Development Co., Ltd. 惠州大亞灣海亞達房地產有限公司	19 August 2010	RMB201,000,000	54%	46%	Property development
Nanjing Jin Mengdu Property Development Co., Ltd. 南京金夢都房地產開發有限責任公司	27 September 2005	RMB134,090,000	85%	15%	Property development
Liupanshui Shidi Property Development Co., Ltd. 六盤水實地房地產開發有限公司	19 November 2012	RMB100,000,000	74%	26%	Property development
Ningbo Jinhong Property Development Co., Ltd.* 寧波金鴻房地產發展有限公司	11 September 2015	RMB100,000,000	34%	66%	Property development
Huizhou Junfeng Pengfeng Property Development Co., Ltd. 惠州市俊峰鵬峰房地產開發有限公司	17 December 2009	RMB60,000,000	63%	37%	Property development
Guangdong Yehe Property Development Co., Ltd. 廣東業和房地產開發有限公司	10 March 2008	RMB40,000,000	75%	25%	Property development
Foshan City Nanhai District Huaxing Property Development and Investment Co., Ltd. 佛山市南海區華星置業投資有限公司	26 December 2012	RMB30,000,000	51%	49%	Property development
Dongguan City Junxuan Real Estate Co., Ltd. 東莞市駿軒置業有限公司	25 July 1995	RMB15,150,000	94%	6%	Property development
Dongguan City Tianhui Property Investment Co., Ltd.* 東莞市天匯物業投資有限公司	27 July 2012	RMB81,632,653	48%	52%	Property development
Dongguan City Yizhan Hengtai Property Development Co., Ltd. 東莞市益展恆泰房地產開發有限公司	22 August 2011	RMB30,000,000	90%	10%	Property development
Huizhou City Huiyang Jingsheng Real Estate Co., Ltd.* 惠州市惠陽瑞生實業有限公司	16 November 2006	RMB10,000,000	46%	54%	Property development
Hainan Baolian City (Bo'ao) Real Estate Co., Ltd.* 海南寶蓮城(博鰲)實業有限公司	26 May 2003	RMB61,224,500	43%	57%	Property development
Foshan City Shunde District Dongyiwan Property Development Co., Ltd. 佛山市順德區東逸灣房產開發策劃有限公司	13 August 2007	RMB10,000,000	51%	49%	Property development

44 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non- controlling interests	Principal activities
Guangdong Longyue Construction Co., Ltd. 廣東龍越建築工程有限公司	14 April 2011	RMB5,730,000	100%	–	Construction
Established and operate in the Malaysia:					
Vibrant Corridor Sdn. Bhd.	6 November 2012	RM2,500,000	55%	45%	Property development
Mayland Venue Sdn. Bhd.	23 November 2012	RM2,500,000	55%	45%	Property development
Country Garden Danga Bay Sdn Bhd	16 October 2012	RM150,000,000	100%	–	Property development
Country Garden Landscape S/B	25 November 2013	RM1,000,000	100%	–	Property development
Giant Leap Construction Sdn. Bhd.	6 March 2014	RM2,500,000	100%	–	Property Construction
Teng Yue Overseas Construction Sdn. Bhd	21 May 2014	RM2,500,000	100%	–	Property Construction
Giant Light M&E Engineering Sdn. Bhd.	12 May 2014	RM1,000,000	100%	–	Property Construction
Transcend Commercial Management Sdn.Bhd	20 October 2015	RM2	100%	–	Lease and property management
Country Garden Pacificview Sdn Bhd.	15 April 2013	RM900	60%	40%	Property development
Country Garden Properties (Malaysia) Sdn. Bhd.	22 February 2012	RMB400,000	55%	45%	Property development
Country Garden Real Estate Sdn. Bhd.	16 December 2013	RMB500,000	100%	–	Property development

* As the Group has the rights to variable returns from its involvement with these companies, and has the ability to affect those returns through its majority vote position in the board of directors of these companies and the right to determine the budget, pricing and promotion strategies of these companies, the Group has control over these companies and these companies are thus accounted for as subsidiaries of the Group.

The English names of the PRC companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names haven been registered or available.

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45 Benefits and interests of directors

(a) Directors' emoluments

The remuneration of every director and chief executive is set out below:

For the year ended 31 December 2015:

Name of director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Other benefits and share-based compensation expenses RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Total RMB'000
Mr. YEUNG Kwok Keung	-	10,000	-	-	-	10,000
Ms. YANG Huiyan	-	6,000	-	-	35	6,035
Mr. MO Bin**	-	6,000	-	-	54	6,054
Mr. ZHU Rongbin	-	5,500	-	-	36	5,536
Mr. WU Jianbin	-	5,000	-	944	251	6,195
Ms. Yang Ziyang	-	4,000	-	-	35	4,035
Mr. YANG Erzhu (retired on 19 August 2015)	-	2,505	-	-	21	2,526
Mr. SU Rubo	-	4,000	-	190	28	4,218
Mr. OU Xueming	-	4,000	-	729	28	4,757
Mr. YANG Zhicheng	-	4,000	7,418	2,302	22	13,742
Mr. XIE Shutai	-	4,000	5,799	-	70	9,869
Mr. Song Jun	-	4,000	8,154	745	69	12,968
Mr. LIANG Guokun	-	4,000	728	-	36	4,764
Mr. SU Baiyuan	-	4,000	62	-	7	4,069
Mr. LAI Ming, Joseph*	330	-	-	-	-	330
Mr. SHEK Lai Him, Abraham*	330	-	-	-	-	330
Mr. TONG Wui Tung, Ronald*	330	-	-	-	-	330
Mr. HUANG Hongyan*	240	-	-	-	-	240
Ms. HUANG Xiao*	240	-	-	-	-	240
Mr. LIU Hongyu* (resigned on 9 December 2015)	226	-	-	-	-	226
Mr. MEI Wenjue*	240	-	-	-	-	240
Mr. YEUNG Kwork On*	240	-	-	-	-	240
	2,176	67,005	22,161	4,910	692	96,944

* Independent non-executive directors.

** Chief executive of the Company.

Mr. Liu Hongyu resigned on 9 December 2015 as independent non-executive director of the Company.

45 Benefits and interests of directors (Continued)**(a) Directors' emoluments (Continued)**

For the year ended 31 December 2014:

Name of director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Other benefits and share-based compensation expenses RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Total RMB'000
Mr. YEUNG Kwok Keung	-	10,000	-	-	11	10,011
Ms. YANG Huiyan	-	6,000	-	-	36	6,036
Mr. MO Bin**	-	6,000	-	-	49	6,049
Mr. ZHU Rongbin	-	5,500	-	-	33	5,533
Mr. WU Jianbin (appointed on 1 April 2014)	-	3,767	-	-	185	3,952
Ms. Yang Ziyang	-	4,000	-	-	26	4,026
Mr. YANG Erzhu	-	4,000	-	-	26	4,026
Mr. SU Rubo	-	4,000	-	-	35	4,035
Mr. OU Xueming	-	4,000	-	729	26	4,755
Mr. YANG Zhicheng	-	4,000	1,983	1,141	10	7,134
Mr. YANG Yongchao (resigned on 19 August 2014)	-	2,532	-	-	38	2,570
Mr. XIE Shutai	-	4,000	3,489	-	38	7,527
Mr. Song Jun	-	4,000	21,440	-	68	25,508
Mr. LIANG Guokun	-	4,000	-	-	32	4,032
Mr. SU Baiyuan	-	4,000	86	-	7	4,093
Mr. LAI Ming, Joseph*	330	-	-	-	-	330
Mr. SHEK Lai Him, Abraham*	330	-	-	-	-	330
Mr. TONG Wui Tung, Ronald*	330	-	-	-	-	330
Mr. HUANG Hongyan*	240	-	-	-	-	240
Ms. HUANG Xiao*	240	-	-	-	-	240
Mr. LIU Hongyu*	240	-	-	-	-	240
Mr. MEI Wenjue*	240	-	-	-	-	240
Mr. YEUNG Kwork On* (appointed on 1 April 2014)	180	-	-	-	-	180
	2,130	69,799	26,998	1,870	620	101,417

* Independent non-executive directors.

** Chief executive of the Company.

During 2015 and 2014, no directors waived or have agreed to waive any emoluments.

FINANCIAL STATEMENTS**Notes to the Consolidated Financial Statements****45 Benefits and interests of directors (Continued)****(b) Directors' retirement benefits**

During the year ended 31 December 2015, no retirement benefits paid to the directors of the Company by a defined benefit pension plan operated by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2014: nil).

(c) Directors' termination benefits

During the year ended 31 December 2015, no payments to the directors of the Company as compensation for the early termination of the appointment (2014: nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2015, the Company didn't provide to any third party for making available directors' services (2014: nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2015, there were no loans, quasi-loans or other dealings in favour of directors of the Company, controlled bodies corporate and connected entities with such directors (2014: nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2014: nil).

Strictly confidential—Do not forward

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The attached supplement to the offering memorandum is not a prospectus for the purposes of the European Union's Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the "EEA"). **Prohibition of Sales to EEA Retail Investors—**The securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("MiFID II"); or (ii) a customer within the meaning of Directive 2002/92/EC (the Insurance Mediation Directive), as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "PRIIPs Regulation") for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

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Country Garden Holdings Company Limited

碧桂園控股有限公司

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

US\$250,000,000 4.750% Senior Notes due 2023

Offering Price 100.000%

US\$600,000,000 5.125% Senior Notes due 2025

Offering Price 99.565%

This supplement (the "Supplement") amends, supplements or otherwise modifies the offering memorandum dated January 9, 2018 (the "Existing Offering Memorandum") relating to the US\$250,000,000 4.750% Senior Notes due 2023 (the "January 2023 Notes") and US\$600,000,000 5.125% Senior Notes due 2025 (the "January 2025 Notes" and, together with the January 2023 Notes, the "Notes") to be issued by Country Garden Holdings Company Limited (the "Company"). Terms defined in the Existing Offering Memorandum have the same meaning when used in this Supplement.

With effect from the date of this Supplement, the Existing Offering Memorandum shall be amended, supplemented and modified in the manner described in this Supplement. This Supplement should be read in conjunction with the Existing Offering Memorandum. To the extent that there is any inconsistency between (i) any statements in this Supplement and (ii) any statement in or incorporated by reference into the Existing Offering Memorandum, the statements in this Supplement will prevail. Except as amended, supplemented or modified by this Supplement, the Existing Offering Memorandum remains unchanged.

The Company accepts responsibility for the information contained in this Supplement. To the best of the knowledge and belief of the Company, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

The purpose of this Supplement is to make consistency changes to the Interest Payment Date and Record Date of the Notes in the Existing Offering Memorandum.

The Notes and the Subsidiary Guarantees have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction, and subject to certain exceptions, may not be offered or sold within the United States and are only being offered and sold outside the United States in offshore transactions in compliance with Regulation S under the Securities Act. For a description of these and certain restrictions on offers and sales of the Notes and the distribution of the Existing Offering Memorandum, see "Plan of Distribution" beginning on page 462 in the Existing Offering Memorandum. By agreeing to invest in the Notes, you have made certain representations and acknowledgements as set forth under "Transfer Restriction" beginning on page 467 in the Existing Offering Memorandum.

Joint Global Coordinators

**Goldman Sachs (Asia) L.L.C. and J.P. Morgan
*Joint Bookrunners and Joint Lead Managers***

Goldman Sachs (Asia) L.L.C. J.P. Morgan BNP PARIBAS BOC International

The preliminary offering memorandum shall be amended as follows:

1. The first sentence of the second paragraph on the front cover page shall be deleted and replaced with the following:

"We will pay interest on the January 2023 Notes on January 17 and July 17."

2. The first sentence of the third paragraph on the front cover page shall be deleted and replaced with the following:

"We will pay interest on the January 2025 Notes on January 17 and July 17."

3. The sixth item under the section "The Offering" on page 8 of the Existing Offering Memorandum shall be deleted and replaced with the following:

"Interest Payment Dates January 17 and July 17."

4. The last sentence of the first full paragraph on page 289 shall be deleted and replaced with the following:

"The Notes will bear interest at the rate per annum set forth on the cover page of this offering memorandum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semiannually in arrears on January 17 and July 17 of each year (each an "Interest Payment Date"), commencing July 17, 2018."

5. The first sentence of the second full paragraph on page 289 shall be deleted and replaced with the following:

"Interest on the Notes, when in the form of Global Notes, will be paid to holders of Notes ("Holders") of record at the close of business on January 16 or July 16 and, when in the form of Certificated Notes, on January 2 or July 2, 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."

6. The last sentence of the first full paragraph on page 375 shall be deleted and replaced with the following:

"The Notes will bear interest at the rate per annum set forth on the cover page of this offering memorandum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semiannually in arrears on January 17 and July 17 of each year (each an "Interest Payment Date"), commencing July 17, 2018."

7. The first sentence of the second full paragraph on page 375 shall be deleted and replaced with the following:

"Interest on the Notes, when in the form of Global Notes, will be paid to holders of Notes ("Holders") of record at the close of business on January 16 or July 16 and, when in the form of Certificated Notes, on January 2 or July 2, 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."

8. The definition of "Adjusted Treasury Rate" on page 343 shall be deleted and replaced with the following:

"Adjusted Treasury Rate" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated H.15(519) or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption Treasury Constant Maturities, for the maturity corresponding to the

Comparable Treasury Issue (if no maturity is within three (3) months before or after January 17, 2021, 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.

9. The definition of "Applicable Premium" on page 344 shall be deleted and replaced with the following:

"Applicable Premium" means 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 redemption price of such Note on January 17, 2021 (such redemption price being set forth in the table appearing under the caption "—Optional Redemption"), plus all required remaining scheduled interest payments due on such Note through January 17, 2021 (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.

10. The definition of "Comparable Treasury Issue" on page 347 shall be deleted and replaced with the following:

"Comparable Treasury Issue" means the U.S. Treasury security or securities having a maturity comparable to January 17, 2021 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 January 17, 2021.

11. The definition of "Adjusted Treasury Rate" on page 429 shall be deleted and replaced with the following:

"Adjusted Treasury Rate" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated H.15(519) or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption Treasury Constant Maturities, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after January 17, 2022, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

12. The definition of "Applicable Premium" on page 430 shall be deleted and replaced with the following:

"Applicable Premium" means 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 redemption price of such Note on January 17, 2022 (such redemption price being set forth in the

table appearing under the caption “—Optional Redemption”), plus all required remaining scheduled interest payments due on such Note through January 17, 2022 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

13. The definition of “Comparable Treasury Issue” on page 433 shall be deleted and replaced with the following:

“Comparable Treasury Issue” means the U.S. Treasury security or securities having a maturity comparable to January 17, 2022 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 January 17, 2022.