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碧桂園

**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日期為2018年1月17日就(其中包括)卓見國際有限公司發行零息率有抵押擔保可換股債券之公告(「該公告」)。除另有界定外，本公告所採用詞彙均與該公告所界定者具有相同涵義。

謹請參閱隨附有關債券之日期為2018年1月26日的發售章程(「該發售章程」)，該發售章程已於2018年2月1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。

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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2月1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。

# Important Notice

## **THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE PERSONS OUTSIDE THE UNITED STATES**

**IMPORTANT:** You must read the following disclaimer before continuing. The following disclaimer applies to the offering circular 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 circular. In accessing the attached offering circular, 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 the Company as a result of such access.

**Confirmation of Your Representation:** By accepting the email and accessing the attached document you shall be deemed to have represented to Goldman Sachs (Asia) L.L.C. (the "**Sole Bookrunner**") that (1) you are not in the United States and, to the extent you purchase the securities described in the attached offering circular, you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and (2) you consent to the delivery of the attached offering circular and any amendments or supplements thereto by electronic transmission.

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 or the Company or the Sole Bookrunner 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. The Sole Bookrunner will provide a hard copy version to you upon request.

**Restrictions:** The attached document is an offering circular 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 herein.

**THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE 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 IT IS UNLAWFUL TO DO SO.**

**MiFID II product governance / Professional investors and ECPs only target market** – For the purposes of Directive 2014/65/EU (as amended, "**MiFID II**"), the target market in respect of the Bonds is expected to be eligible counterparties and professional clients only, each as defined in MiFID II. Any person offering, selling or recommending the Bonds (a "**distributor**") should take into consideration such target market; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds and determining appropriate distribution channels.

**PRIIPs REGULATION / PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). 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 MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), 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 Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The communication of the offering circular attached to this email and any other document or materials relating to the offer 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 (the "**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 who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are 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 offer of securities described in the offering circular attached to this email are only available to, and any investment or investment activity to which such offering circular 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 such offering circular or any of its contents.

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 Company or the Sole Bookrunner 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 underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Sole Bookrunner and their respective affiliates on behalf of the Issuer or the Company in such jurisdiction. You are reminded that you have accessed the attached offering circular on the basis that you are a person into whose possession this offering circular 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, will be ignored or rejected.

**YOU ARE NOT AUTHORIZED AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED OFFERING CIRCULAR 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.**

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

**SMART INSIGHT INTERNATIONAL LIMITED***(incorporated in the British Virgin Islands with limited liability)*

Guaranteed by certain Subsidiary Guarantors and

**Country Garden Holdings Company Limited****碧桂園控股有限公司****(Stock Code: 2007)***(incorporated in the Cayman Islands with limited liability)***HK\$15,600,000,000 Zero Coupon Secured Guaranteed****Convertible Bonds due 2019****Issue Price: 100 per cent.**

The HK\$15,600,000,000 Zero Coupon Secured Guaranteed Convertible Bonds due January 27, 2019 (the "Bonds", which term shall include, unless the context requires otherwise, any further bonds issued in accordance with the terms and conditions of the Bonds set out in "Terms and Conditions of the Bonds" (the "Conditions" and each of the Conditions, a "Condition") and consolidated and forming a single series therewith) will be issued by Smart Insight International Limited (the "Issuer"). The Bonds will be guaranteed by Country Garden Holdings Company Limited (the "Company") and the Subsidiary Guarantors (as defined in the Conditions). None of the Company's subsidiaries that are organized under the laws of the People's Republic of China (the "PRC") will guarantee the Bonds. The issue price of the Bonds shall be 100 per cent. of the aggregate principal amount of the Bonds and the denominations of each Bond shall be HK\$2,000,000 each and integral multiples thereof. The Bonds do not bear any interest.

The Bonds constitute direct, unsubordinated, unconditional and secured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. Each Guarantee (as defined in the Conditions) constitutes direct, unsubordinated, unconditional and secured obligations of the Company and each Subsidiary Guarantor, respectively. The payment obligations of the Company and each Subsidiary Guarantor under their respective Guarantees shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all their respective other present and future unsecured and unsubordinated obligations. The Bonds are secured rateably and on a *pari passu* basis with the obligations of the Company under the January 2018 Notes and the Indenture by the Collateral given by the Company and the initial Subsidiary Guarantor Pledgors under the Intercreditor Agreement and the Security Documents (unless otherwise defined, each such capitalized term having the meaning ascribed to it in the Conditions).

Each Bondholder (as defined in the Conditions) has the right to convert the Bonds held by it into ordinary shares of par value HK\$0.10 each in the share capital of the Company (the "Shares") at any time during the Conversion Period (as defined in the Conditions). The price at which the Shares will be issued upon conversion (the "Conversion Price") will initially be HK\$20.556 per Share. The Conversion Price is subject to adjustment in accordance with the Conditions. The closing price of the Shares on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on January 25, 2018 was HK\$16.460 per Share.

Unless previously redeemed, converted or purchased and canceled as provided in the Conditions, the Issuer will redeem each Bond at 100.75 per cent. of its principal amount on January 27, 2019. On giving not less than 30 nor more than 60 days' notice, the Issuer may redeem all, but not some only, of the Bonds at the Early Redemption Amount (a) on the occurrence of certain tax-related events or (b) if, prior to the date of such notice being given, Conversion Rights (as defined in the Conditions) shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Bonds original issued (which shall for this purpose include any further bonds issues in accordance with the Conditions and consolidated and forming a single series therewith), in each case, pursuant to and in accordance with the Conditions. If (a) the Shares cease to be listed or admitted to trading, or are suspended for a period equal to or exceeding 15 consecutive Trading Days (as defined in the Conditions), on the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (or if applicable, the Alternative Stock Exchange (as defined in the Conditions)) or (b) there is a Change of Control (as defined in the Conditions), the holder of each Bond will have the right at such holder's option to require the Issuer to redeem all or some only of such holder's Bonds on the Relevant Event Redemption Date (as defined in the Conditions) at the Early Redemption Amount as at such date. See "Terms and Conditions of the Bonds".

Application has been made / Approval in-principle has been received for the listing and quotation of the Bonds on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Approval in-principle for the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Subsidiary Guarantors, any other subsidiary or associated company of the Issuer, the Bonds, the Shares or the Subsidiary Guarantees. Conditional approval for the listing of the Shares to be issued on conversion of the Bonds on the Hong Kong Stock Exchange has been granted by the Hong Kong Stock Exchange. The Bonds are not intended to be initially placed and may not be initially placed to "connected persons" of the Issuer or the Company as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") ("Connected Persons"). Each holder of the Bonds (and the beneficial owners of the Bonds, if applicable) will be deemed to have represented to the Issuer and the Sole Bookrunner that it is not a Connected Person of the Issuer and the Company and will not after completion of the subscription of the Bonds be a Connected Person of the Issuer and the Company. Each prospective investor will be deemed to have agreed with the Issuer, the Company and the Sole Bookrunner that it may, to the extent required by the Listing Rules and/or the Hong Kong Stock Exchange and/or the Hong Kong Securities and Futures Commission (the "SFC"), disclose information about such potential investor (including but not limited to its name, company registration number and the number of Bonds allotted to it) to certain parties. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Investing in the Bonds and the Shares involves certain risks. See "Risk Factors" beginning on page 15 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds and the Shares to be issued upon conversion of the Bonds may only be offered outside the United States in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds and the Shares to be issued upon conversion of the Bonds and the distribution of this Offering Circular, see "Subscription and Sale".

The Bonds will be initially represented by a global certificate (the "Global Certificate") registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, S.A. ("Clearstream", together with Euroclear, the "Clearing Systems"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

**Sole Global Coordinator and Sole Bookrunner**  
**Goldman Sachs (Asia) L.L.C.**

The date of this Offering Circular is January 26, 2018.

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THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES 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 CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE COMPANY OR ANY OF THEIR RESPECTIVE SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

The contents of this Offering Circular have not been reviewed by any regulatory authority in Hong Kong or elsewhere. Investors are advised to exercise caution in relation to the offering of the Bonds (the “**Offering**”) described herein. If investors are in any doubt about any of the contents of this Offering Circular, they should obtain independent professional advice. **MiFID II product governance / Professional investors and ECPs only target market** – For the purposes of Directive 2014/65/EU (as amended, “**MiFID II**”), the target market in respect of the Bonds is expected to be eligible counterparties and professional clients only, each as defined in MiFID II. Any person offering, selling or recommending the Bonds (a “**distributor**”) should take into consideration such target market; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds and determining appropriate distribution channels.

**PRIIPs REGULATION / PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). 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 MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (“**IMD**”), 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 Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

#### **Notice to Prospective Investors in the United Kingdom**

The communication of this Offering Circular and any other document or materials relating to the issue of the Bonds 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 (the “**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 who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Financial Promotion Order**”), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are 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 Bonds offered hereby are only available to, and any investment or investment activity to which this Offering Circular 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 Circular or any of its contents.

Each of the Issuer, the Company, having made all reasonable enquiries, confirms that to its best knowledge and belief (i) this Offering Circular contains all information with respect to the Issuer, the Company and their respective subsidiaries taken as a whole (collectively, the “**Group**”) and to the issue of the Bonds and Shares, which is material in the context of the issue and offering of the Bonds (including all information which, according to the particular nature of the Issuer, the Company, the Group and of the Bonds and the Shares, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Group and of the rights attaching to the Bonds and the Shares), (ii) all statements of fact relating to the Issuer, the Company, the Group and to the Bonds and the Shares contained in this Offering Circular are in all material respects true and accurate and not misleading in any material respect, and that there are no other facts in relation to the Issuer, the Company, the Group and to the Bonds and the Shares the omission of which would in the context of the issue of the Bonds make any statement in this Offering Circular misleading in any material respect, (iii) the opinions and intentions expressed with regard to the Issuer, the Company and the Group contained in this Offering Circular are honestly made or held and have been reached after considering all relevant circumstances and have been based on reasonable assumptions and (iv) all reasonable enquiries have been made by the Issuer and the Company to ascertain such facts and to verify the accuracy of all such information and statements. This Offering Circular includes particulars given in compliance with the Listing Rules for the purposes of giving information with regard to the Issuer, the Company and the Group. Each of the Issuer and the Company accepts full responsibility for the information contained in this Offering Circular.

This Offering Circular has been prepared by the Issuer and the Company solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Company and the Sole Bookrunner to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the Shares deliverable upon conversion of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Shares deliverable upon conversion of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see “*Subscription and Sale*”.

No person has been or is authorized to give any information or to make any representation concerning the Issuer, the Company, the Group, the Bonds or the Shares other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer, the Company, the Sole Bookrunner, Citicorp International Limited as the trustee (the “**Trustee**”) or the Agents (as defined in the Conditions). Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Company, the Group or any of them since the date hereof or create any implication that the information contained herein is correct as at any date

subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Company, the Sole Bookrunner, the Trustee or the Agents to subscribe for or purchase any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or is unlawful. This Offering Circular is not intended to invite offers to subscribe for or purchase Shares.

No representation or warranty, express or implied, is made or given by the Sole Bookrunner, the Trustee or the Agents as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Sole Bookrunner, the Trustee or the Agents. None of the Sole Bookrunner, the Trustee or the Agents has independently verified any of the information contained in this Offering Circular and none of them can give any assurance that this information is accurate, truthful or complete. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Issuer, the Company, the Sole Bookrunner, the Trustee or the Agents that any recipient of this Offering Circular should purchase the Bonds.

Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

In making an investment decision, investors must rely on their own examination of the Issuer, the Company, the Group and the terms of the Offering, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds. Each person receiving this Offering Circular acknowledges that such person has not relied on any of the Sole Bookrunner or any person affiliated with any of the Sole Bookrunner in connection with its investigation of the accuracy of such information or its investment decision. To the fullest extent permitted by law, none of the Sole Bookrunner, the Trustee or the Agents accept any responsibility for the contents of this Offering Circular. Each of the Sole Bookrunner, the Trustee and the Agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Sole Bookrunner, the Trustee or the Agents undertakes to review the financial condition or affairs of the Issuer or the Group after the date of this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of any of the Sole Bookrunner, the Trustee or the Agents.

Except as otherwise indicated in this Offering Circular, all non-company specific statistics and data relating to the industry or to the economic development of Hong Kong have been extracted or derived from publicly available information and industry publications. The information has not been independently verified by the Issuer, the Company, the Trustee, the Agents or any of the Sole Bookrunner or by their respective directors and advisers, and none of the Issuer, the Company, the Trustee, the Agents, the Sole Bookrunner or their respective directors and advisers make any representation as to the correctness, accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

In connection with the issue of any Bonds, the Sole Bookrunner in its role as stabilizing manager (the "**Stabilizing Manager**") (or persons acting on behalf of a Stabilizing Manager) may, to the extent permitted by applicable laws and directives, over-allot and/or effect transactions with a



view to supporting the market price of the Bonds and/or the Shares at a level higher than that which might otherwise prevail for a limited period after the closing date. However, there is no assurance that the Stabilizing Manager (or persons acting on behalf of the Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end after a limited period.

## **Certain definitions, conventions and currency presentation**

We have prepared this offering circular 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 circular 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 Purchaser or our or its respective directors and advisors, and neither us, the Initial Purchaser nor our or its 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 circular 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 Bonds, including the merits and risks involved.

In this offering circular, 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 circular, 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 circular 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 circular, 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 circular, 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 circular, 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 circular, 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 circular, 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 circular, unless otherwise specified. For additional information about the Asian Games City Project, see “Description of the Company—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 circular 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 circular 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 “January 2018 Notes” are to our 4.75% senior notes due 2023 issued on January 17, 2018 in the aggregate principal amount of US\$250 million (the “January 2018 Notes A”) and our 5.125% senior notes due 2025 issued on January 17, 2018 in the aggregate principal amount of US\$600 million (the “January 2018 Notes B”).

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 circular, 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.”

“Restricted Subsidiary” means, as at 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, provided that the Company will be permitted to designate certain of its Subsidiaries as “Unrestricted Subsidiaries”.

“Unrestricted Subsidiary” means, unless redesignated as a Restricted Subsidiary pursuant to the January 2018 Notes and the Indenture, 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 relating to the January 2018 Notes; and (2) any Subsidiary of an Unrestricted Subsidiary.

“Non-Guarantor Restricted Subsidiaries” refers to the Restricted Subsidiaries that are not a Subsidiary Guarantor, including as of the issue date of the January 2018 Notes, 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.”

“PRC Non-Guarantor Subsidiaries” means, as of the issue date of the January 2018 Notes, 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.

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

In this offering circular, 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 circular includes “forward-looking statements.” All statements other than statements of historical fact contained in this offering circular, 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 circular. We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this offering circular. 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 circular might not occur in the way we expect, or at all.

## 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 <sup>(1)</sup>	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 <sup>(1)</sup>	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.

## **Incorporation of financial information**

The audited consolidated financial statements of the Company (including the notes thereto) which are contained in pages 132 to 254 of the Annual Report of the Company for the year ended December 31, 2015, pages 124 to 258 of the Annual Report of the Company for the year ended December 31, 2016 and the unaudited financial statements of the Company (including the notes thereto) which are contained in pages 44 to 88 of the Interim Report of the Company for the six months ended June 30, 2017 are incorporated by reference in this Offering Circular. Copies of the accounts are available and may be (i) obtained free of charge at the specified office of the Company at Suite 1702, 17/F., Dina House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong; or (ii) downloaded free of charge from the website of the Hong Kong Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk).

## Glossary of technical terms

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



## Summary

*This summary does not contain all the information that may be important to you in deciding to invest in the Bonds. You should read the entire offering circular, 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.

## **Recent Developments**

### **Issuance of the 2022 Notes, the November 2018 Notes and the January 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%. On January 18, 2018, we issued 4.75% senior notes due 2023 issued on January 17, 2018 in the aggregate principal amount of US\$250 million (the “January 2018 Notes A”) and our 5.125% senior notes due 2025 issued on January 17, 2018 in the aggregate principal amount of US\$600 million (the “January 2018 Notes B” and, together with the January 2018 Notes A, the “January 2018 Notes”). See “Description of other material indebtedness—2022 Notes,” “Description of other material indebtedness—November 2018 Notes” and “Description of other material indebtedness—January 2018 Notes.”

### **Share Placing and Subscription Agreement**

On January 16, 2018, the Company entered into a placing and subscription agreement with, among others, Goldman Sachs (Asia) L.L.C. as the placing agent, under which the Company would place approximately 2.16% of the existing issued share capital and approximately 2.12% of the issued share capital of the Company as enlarged by the subscription, to no less than six independent third party professional, institutional and/or individual investors. The holder of the placed shares has conditionally agreed to subscribe the same number of new shares.

### **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..<sup>(1)</sup>

## 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 *bgc.cn*, *bgc.com.cn*, *countrygarden.cn* and *countrygarden.com.cn*. Information contained on our websites does not constitute part of this offering circular.

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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 circular should not be unduly relied upon as a measure or indication of our current or future operating performance.

## The Offering

*The following summary contains basic information about the Bonds and is not intended to be complete. It does not contain all the information that is important to investors. The full Conditions are set out in the section of this Offering Circular entitled "Terms and Conditions of the Bonds." Capitalized terms used in this summary and not otherwise defined shall have the meaning given to them in the Conditions.*

**Issuer** ..... Smart Insight International Limited.

### **Guarantors and**

**Guarantees** ..... The Company has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed.

Each initial Subsidiary Guarantor has unconditionally and irrevocably guaranteed, on a joint and several basis, the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed.

The Guarantees are contained in the Trust Deed. Each Guarantee constitutes direct, unsubordinated, unconditional and secured obligations of the Company and each Subsidiary Guarantor, respectively. The payment obligations of the Company and each Subsidiary Guarantor under their respective Guarantees shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all their respective other present and future unsecured and unsubordinated obligations.

The initial Subsidiary Guarantors as at the Issue Date are:

- (i) Smart World Development Holdings Ltd;
- (ii) Angel View International Limited;
- (iii) Boavista Investments Limited;
- (iv) Estonia Development Ltd;
- (v) Falcon Investments Development Ltd;
- (vi) Impreza Group Limited;
- (vii) Infiniti Holdings Development Limited;
- (viii) United Gain Group Ltd;

(ix) Wise Fame Group Ltd; and

(x) Country Garden (Hong Kong) Development Company Limited.

These initial Subsidiary Guarantors consist of all of the Company's Restricted Subsidiaries other than the Non-Guarantor Subsidiaries. All of the initial Subsidiary Guarantors are holding companies that do not have significant operations.

The Company will cause each of its future Subsidiaries which guarantees the payment of amounts payable under the January 2018 Notes or the Indentures to execute and deliver to the Trustee a Supplemental Trust Deed pursuant to which each such Subsidiary will guarantee the payment of any amount payable under the Bonds or the Trust Deed on a *pari passu* basis with the obligations of the Company under the January 2018 Notes and the Indentures.

**Security** ..... The obligations of the Issuer and the Company under the Bonds, the Trust Deed, (and for the Company only) the January 2018 Notes and the Indentures, and of the Company and the initial Subsidiary Guarantors under the Guarantee and their respective Subsidiary Guarantees, are secured rateably and on a *pari passu* basis with the obligations of the Company under the January 2018 Notes and the Indentures by the Collateral given by the Company and the initial Subsidiary Guarantor Pledgors under the Intercreditor Agreement and the Security Documents.

The initial Subsidiary Guarantor Pledgors are Smart World Development Holdings Ltd, InfinitiHoldings Development Limited, Wise Fame Group Ltd., Falcon Investments Development Ltd., and Impreza Group Limited.

The Company will procure that any further Encumbrance, granted by the Company or any future Subsidiary Guarantor Pledgor pursuant to the Indentures after the Issue Date securing the obligations of the Company under the January 2018 Notes and the Indentures or of a Subsidiary Guarantor under its Subsidiary Guarantee, is also granted to the Trustee for the benefit of the Bondholders on a *pari passu* basis to secure the obligations of the Issuer under the Bonds and the Trust Deed and of such Subsidiary Guarantor and the Company under their respective Guarantees.

Subject to compliance with provisions of the Trust Deed, any Security created in respect of the Collateral shall be released upon the release, pursuant to the Indentures, of any *pari passu* Security Interest in respect of the same Collateral for the January 2018 Notes.

<b>Bonds</b> .....	HK\$15,600,000,000 Zero Coupon Secured Guaranteed Convertible Bonds due January 27, 2019.
	The issue of the Bonds was authorized by a resolution of the Board of Directors of the Issuer passed on January 16, 2018.
<b>Issue Price</b> .....	The Bonds will be issued at 100 per cent. of their principal amount.
<b>Issue Date</b> .....	January 30, 2018.
<b>Maturity Date</b> .....	January 27, 2019.
<b>Redemption at Maturity</b> .....	Unless previously redeemed, converted or purchased and canceled as provided herein, the Issuer will redeem each Bond at 100.75 per cent. of its principal amount on January 27, 2019.
<b>Status of the Bonds</b> ....	The Bonds constitute direct, unsubordinated, unconditional and secured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
<b>Conversion Period</b> .....	Subject to and upon compliance with the relevant Conditions, the Conversion Right attaching to any Bond may be exercised in respect of such Bond, at the option of the holder thereof, at any time on and after March 11, 2018 up to (a) close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date falling 10 Trading Days prior to the Maturity Date (but, except as provided in Condition 6(A)(iv) ( <i>Conversion—Revival and/or survival after Default</i> ) in no event thereafter) or (b) if such Bond shall have been called for redemption before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than seven business days (at the place aforesaid) prior to the date fixed for redemption thereof or (c) if notice requiring redemption has been given by the holder of such Bond pursuant to Condition 8(D) ( <i>Conversion—Redemption for Delisting or Change of Control</i> ), up to the close of business (at the place aforesaid) on the business day (in the place aforesaid) prior to the giving of such notice.
<b>Conversion Price</b> .....	The price at which Shares will be issued upon conversion will initially be HK\$20.556 per Share but will be subject to adjustment in the manner provided in Condition 6(C) ( <i>Conversion—Adjustments to Conversion Price</i> ).
<b>Negative Pledge</b> .....	Each of the Issuer and the Company undertakes that, so long as any of the Bonds remains outstanding (as defined in the Trust Deed) or any amount is due under or in respect of any Bond or otherwise under the



Trust Deed, it will not, and will procure that none of its Subsidiaries (other than any Subsidiary designated as an Unrestricted Subsidiary or Exempted Subsidiary in accordance with the terms of the Indenture) will, create or permit to subsist or arise any Security Interest upon the whole or any part of their respective present or future assets or revenues to secure any Relevant Indebtedness of the Issuer or any such Subsidiary of the Issuer or any other person or entity or to secure any guarantee of or indemnity in respect of any such Relevant Indebtedness (except for any Further Security Interest that is permitted by the Conditions) unless, at the same time or prior thereto, the Company or the Issuer's obligations under the Bonds are secured equally and rateably by the same Security Interest or, at the option of the Issuer or the Company (as applicable), by such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Bondholders or as shall be approved by an Extraordinary Resolution of the Bondholders.

**Permitted Pari Passu Secured**

**Indebtedness . . . . .** On or after the Issue Date and subject to the Trust Deed, the Company and each Subsidiary Guarantor Pledgor may create further Security Interests on the Collateral *pari passu* with the Security for the benefit of the Trustee and the Bondholders to secure indebtedness of the Company (including any further Bonds issued in accordance with Condition 16 (*Further Issues*) and consolidated and forming a single series therewith) or any Subsidiary Guarantor and any *Pari passu* Subsidiary Guarantee of a Subsidiary Guarantor Pledgor with respect to such indebtedness upon the satisfaction of certain conditions specified in Condition 4(D)(*Permitted Pari Passu Indebtedness*). The Trustee will be permitted and authorized, without the consent of the Bondholders, to enter into any amendments to the Security Documents, the Indentures 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 Condition 4(D)(*Permitted Pari Passu Indebtedness*) (including, without limitation, the appointment of any collateral agent under the Intercreditor Agreement referred to below to hold the Collateral on behalf of the Bondholders and the holders of Permitted *Pari passu* Secured Indebtedness).

**Redemption for**

**Taxation Reasons . . . . .** At any time the Issuer may, having given not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 18 (*Notices*), the Trustee and the Principal Agent (which notice shall be irrevocable) redeem all but not some only of the Bonds

at the Early Redemption Amount as at such date if the Issuer satisfies the Trustee immediately prior to the giving of the Tax Redemption Notice that (i) the Issuer (or if the Guarantees were called, the Company or any Subsidiary Guarantor) has or will become obliged to pay additional tax amounts as a result of any change in, or amendment to, the laws or regulations of British Virgin Islands (in the case of a payment by the Issuer) or the Cayman Islands or Hong Kong (in the case of a payment by the Company), the relevant jurisdiction of incorporation of each relevant Subsidiary Guarantor (in the case of a payment by any Subsidiary Guarantor) or, in each case, the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after January 16, 2018, and (ii) such obligation cannot be avoided by the Issuer (or the Company or the relevant Subsidiary Guarantor, as the case may be) taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Company or the relevant Subsidiary Guarantor, as the case may be) would be obliged to pay such additional tax amounts were a payment in respect of the Bonds then due.

**Redemption at the**

**Option of the Issuer . . . .**

On giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 18 (*Notices*) and to the Trustee and Principal Agent (which notice shall be irrevocable), the Issuer may redeem all, but not some only, of the Bonds on the date specified in the Optional Redemption Notice at the Early Redemption Amount as at such date, at any time if, prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancelations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Bonds originally issued (which shall for this purpose include any further bonds issued in accordance with Condition 16 (*Further Issues*) and consolidated and forming a single series therewith).

**Redemption for**

**Delisting or Change of**

**Control . . . . .**

If (a) the Shares cease to be listed or admitted to trading, or are suspended for a period equal to or exceeding 15 consecutive Trading Days, on the Hong Kong Stock Exchange (or if applicable, the Alternative Stock Exchange) or (b) there is a Change of Control, the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of such holder's Bonds on the Relevant Event Redemption Date at a redemption price equal

to the Early Redemption Amount as at such date. To exercise such right, the holder of the relevant Bond must complete, sign and deposit, at his own expense, at the specified office of any Paying Agent, a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent together with the Certificate evidencing the Bond(s) to be redeemed by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 18 (*Notices*).

**Form and Denomination of Bonds** .....

The Bonds are issued in registered form in the denomination of HK\$2,000,000 each and integral multiples thereof. Upon issue, the Bonds will be represented by the Global Certificate deposited with a common depository for, and representing Bonds registered in the name of a nominee of, the Clearing Systems.

**Clearance** .....

The Bonds will be cleared through the Clearing Systems. The Clearing Systems each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders.

**Global Certificate** .....

For as long as the Bonds are represented by the Global Certificate and the Global Certificate is held by a common depository, payments of principal and interest (if any) in respect of the Bonds represented by the Global Certificate will be made without presentation or, if no further payment falls to be made in respect of the Bonds, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent for such purpose. The Bonds which are represented by the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of the relevant Clearing System.

**Selling Restrictions** .....

There are restrictions on the offer, sale and/or transfer of the Bonds in, among others, the United States, United Kingdom, Hong Kong, Singapore, Japan, the PRC, the British Virgin Islands, Bermuda, Cayman Islands, Switzerland and the Netherlands. For a description of the selling restrictions on offers, sales and deliveries of the Bonds, see "*Subscription and Sale*".

**Listing** .....

Application has been made for the listing and quotation of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of HK\$200,000 with a minimum of ten lots, and in integral amounts of ten lots only, to be traded in a single transaction for so long as the Bonds are listed on the SGX-ST.

The Company has submitted application for listing of the Shares issuable upon conversion of the Bonds on the Hong Kong Stock

Exchange and has undertaken to apply to have the Shares, issuable upon conversion of the Bonds, approved for listing on the Hong Kong Stock Exchange and any Alternative Stock Exchange (as defined in "Terms and Conditions of the Bonds") on which its Shares are listed from time to time.

<b>Trustee</b> .....	Citicorp International Limited.
<b>Principal Agent</b> .....	Citibank N.A., London Branch.
<b>Registrar</b> .....	Citigroup Global Markets Deutschland AG.
<b>Governing Law</b> .....	The Bonds and any non-contractual obligations arising out of or in connection with the Bonds will be governed by, and construed in accordance with, the laws of England.
<b>Jurisdiction</b> .....	The courts of Hong Kong are to have exclusive jurisdiction to settle any disputr which may arise out of or in connection with the Bonds.
<b>Use of Proceeds</b> .....	Repaying debts and/or general working capital purpose.
<b>Lock-up</b> .....	Each of Concrete Win Limited, Genesis Capital Global Limited and Golden Value Investments Limited, and neither the Issuer, the Company nor any of its Subsidiaries or affiliates over which it exercises management or voting control, nor any person acting on behalf of any of them will, for a period from 16 January 2018 up to 90 days after the Issue Date (both dates inclusive), without the prior written consent of the Sole Bookrunner, (a) issue, offer, sell, contract to sell, pledge, encumber or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in, any Shares or securities of the same class as the Bonds or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as them (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing; except for the Bonds and any new Shares issued pursuant to the conversion provisions of the Bonds.
<b>Rating of the Bonds</b> ....	The Bonds are not, and are not expected to be, rated by any rating agency.
<b>ISIN</b> .....	XS1756818768.
<b>Common Code</b> .....	175681876.

## **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 circular. 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 circular. 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 circular. 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)
<b>Gross profit</b>	<b>22,055.1</b>	<b>22,863.3</b>	<b>32,236.1</b>	<b>4,755.1</b>	<b>12,026.0</b>	<b>17,096.5</b>	<b>2,521.9</b>
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)
<b>Operating profit</b>	<b>16,605.0</b>	<b>16,178.4</b>	<b>22,124.2</b>	<b>3,263.5</b>	<b>8,824.0</b>	<b>11,573.3</b>	<b>1,707.2</b>
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
<b>Profit before income tax</b>	<b>16,369.1</b>	<b>14,833.1</b>	<b>21,390.6</b>	<b>3,155.3</b>	<b>9,209.2</b>	<b>12,410.0</b>	<b>1,830.6</b>
Income tax expenses	(5,757.2)	(5,121.4)	(7,727.3)	(1,139.8)	(3,004.3)	(4,036.6)	(595.4)
<b>Profit for the year</b>	<b>10,611.9</b>	<b>9,711.7</b>	<b>13,663.2</b>	<b>2,015.4</b>	<b>6,204.9</b>	<b>8,373.4</b>	<b>1,235.1</b>
<b>Other comprehensive income:</b>							
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 <sup>(1)</sup>	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)
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<b>1,473.0</b>	<b>(894.3)</b>	<b>139.5</b>	<b>20.6</b>	<b>318.1</b>	<b>214.3</b>	<b>31.6</b>
<b>Total comprehensive income for the year, net of tax</b>	<b>12,084.9</b>	<b>8,817.4</b>	<b>13,802.7</b>	<b>2,036.0</b>	<b>6,523.0</b>	<b>8,587.7</b>	<b>1,266.8</b>
<b>Profit attributable to:</b>							
—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
	<b>10,611.9</b>	<b>9,711.7</b>	<b>13,663.2</b>	<b>2,015.4</b>	<b>6,204.9</b>	<b>8,373.4</b>	<b>1,235.1</b>
<b>Total comprehensive income attributable to:</b>							
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
	<b>12,084.9</b>	<b>8,817.4</b>	<b>13,802.7</b>	<b>2,036.0</b>	<b>6,523.0</b>	<b>8,587.7</b>	<b>1,266.8</b>
Dividends	3,001.9	2,912.2	3,733.9	550.8	1,556.6	3,205.9	472.9
<b>Other Financial Data (unaudited)</b>							
EBITDA <sup>(1)</sup>	17,174.9	15,860.6	21,949.2	3,237.7	9,252.2	12,836.2	1,893.4
EBITDA Margin <sup>(2)</sup>	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.

(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\$)
<b>Non-current assets</b>						
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
<b>Current assets</b>						
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
<b>Current liabilities</b>						
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	97.6	14.4
	156,623.0	201,594.9	405,314.0	59,787.0	571,203.0	84,256.9
<b>Net current assets</b>	35,994.0	70,421.2	79,521.5	11,730.0	94,709.8	13,970.4
<b>Total assets less current liabilities</b>	111,409.2	160,361.4	186,257.6	27,474.5	223,464.7	32,989.6
<b>Non-current liabilities</b>						
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
<b>Equity attributable to owners of the Company</b>						
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
<b>Non-controlling interests</b>	5,756.2	24,049.7	11,486.8	1,694.4	15,902.0	2,345.7
<b>Total equity</b>	62,442.4	89,340.4	81,615.2	12,038.9	94,303.7	13,910.5
<b>Total equity and non-current liabilities</b>	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 circular, you should carefully consider the following risk factors, together with all other information contained in this offering circular, before purchasing the Bonds. 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 Bonds, 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, the January 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 “Description of the Company—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 circular, 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 circular, 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 circular.

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 circular. 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 “Description of the Company—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 circular. 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 circular 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 circular 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 56.70% of our Company as of the date of this offering circular, having taken account of the allotment of shares under the placing and subscription agreement dated January 16, 2018. See “Description of the Company—Recent Development—Share Placing and Subscription Agreement.” The interests of our controlling shareholder may differ from our interests or the interests of our creditors, including the holders of the Bonds. 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 Bonds**

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 Bonds to investors that are non-resident enterprises located in Hong Kong or 10% on payments of interest and other amounts on the Bonds 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 Bonds 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 Bonds, or on the maturity date to pay the principal of the outstanding Bonds.

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 January 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 Bonds**

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. The issuance of the Bonds has not been registered with the National Development and Reform Commission (the “NDRC”) pursuant to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發改委關於推進企業發行外債備案登記制管理改革的通知) (發改外資[2015]2044號) (the “NDRC Notice”) promulgated by the NDRC of the PRC on September 14, 2015 as the NDRC Notice only applies to offshore offerings of debt by PRC enterprises with a tenor of one year or above. However, as the NDRC Notice is a relatively new regulation, uncertainties remain regarding its interpretation, implementation and enforcement by the NDRC and, in particular, there is a risk that the NDRC could in the future amend the rules relating to the NDRC Notice or the interpretation thereof (including with retroactive effect), such that debt instruments similar to the Bonds will be subject to the registration and other requirements under the NDRC Notice.

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 Bonds. 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 BONDS AND THE SHARES**

### **The Company's obligations under the Guarantee are structurally subordinated to all existing and future liabilities and obligations of each of its subsidiaries**

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

Creditors, including trade creditors of Company's Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Company's Non-Guarantor Subsidiaries' assets that would be prior to the claims of the holders of the Bonds. As a result, the Company's payment obligations under the relevant Guarantee will be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (including their obligations under guarantees issued in connection with the Company's business), and all claims of creditors of the Company's Non-Guarantor Subsidiaries will have priority as to the assets of such entities over the Company's claims and those of the Company's creditors, including holders of the Bonds. As of June 30, 2017, indebtedness of the Company's PRC subsidiaries constituted more than half of the Company's total borrowings (other than the Company's senior notes and offshore facilities). The Bonds and the Trust Deed do not restrict the ability of the Company's subsidiaries

to issue certain categories of guarantees in the ordinary course of business. In addition, the Company's secured creditors or those of any Subsidiary Guarantor would have priority as to the Company's assets or the assets of the Subsidiary Guarantor securing the related obligations over claims of the holders of the Bonds.

**The Company's ability to make payments on the Guarantees depends upon receipt of distributions from the Group's subsidiaries, associated companies and joint ventures**

The Company is primarily an investment holding company and its ability to make payments under the Guarantees to fund payments on the Guarantee in respect of the Bonds depends upon the receipt of dividends, distributions, interest or advances from its wholly owned or partly owned subsidiaries, associated companies and joint ventures, including the Company's PRC subsidiaries. The ability of the Company's subsidiaries, jointly-controlled entities and associated companies to pay dividends may be subject to applicable laws and regulations. The outstanding indebtedness of the Company's subsidiaries may contain covenants restricting the ability of such subsidiaries to pay dividends in certain circumstances for so long as such indebtedness remains outstanding. Moreover, the Company's percentage interests in its subsidiaries, jointly-controlled entities and associated companies could be reduced in the future.

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. The Company's 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, the Company's PRC subsidiaries may pay dividends once a year at the end of each financial year. Some of the Company's PRC subsidiaries are also subject to certain restrictions on dividend distributions under their loan agreements with certain PRC banks. As a result, some of the Company's 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 the Company's subsidiaries to pay dividends to the Company could materially and adversely limit the Company's ability to grow, make investments or acquisitions that could be beneficial to the Company's businesses, pay dividends, service our debts or otherwise fund and conduct the Company's business.

In addition, under the EIT Law and its implementation rules, dividends paid by the Company's 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 the Company's 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 the Company's PRC subsidiaries may not be sufficient to meet the Company's payment obligations under the Guarantee or to satisfy the obligations of the Subsidiary Guarantors under the other Guarantees.

In addition, the Company's 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 the Company's 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 Company's 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 the Company's 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 the Company will have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy the Company or the Subsidiary Guarantors' obligations under the Guarantees.

**The short term nature of the Bonds may place increased pressure on the Group's cash flow and funding needs**

The Bonds have a maturity date of less than one year and will be redeemed on January 27, 2019 (or earlier in the circumstances set out in Condition 8 (*redemption, Purchase and Cancellation*)). The Group's ability to meet its obligations depends on (a) its future operating and financial performance and ability to generate cash in the short term, which are affected by general economic, financial, competitive and other factors beyond its control, and/or (b) its ability to obtain further financing in order to repay the Bonds.

Dedicating a substantial portion of the Group's cash flow from operations to making payments on its debt, including the Bonds, within a short period would limit the availability of funds for working capital, business opportunities and other general corporate purposes, increase the Issuer's vulnerability to adverse general economic or industry conditions, limit its flexibility in planning for, or reacting to, changes in its business and the industry in which it operates, and potentially increase its cost of borrowing. If the Group cannot generate sufficient cash to meet its debt service obligations or fund its other business needs, it may, among other things, need to refinance all or a portion of its debt, including the Bonds, obtain additional financing or sell assets.

In addition, the availability of external financing with which to repay its debt financing, including the Bonds, is subject to numerous factors, including general political, economic and capital market conditions (both internationally and within the PRC), interest rates, credit availability from banks and other major lenders and investor confidence in the Group and its business, some of which may be outside its control. In addition, the Group may need to source alternative forms of financing in order to repay the Bonds, which could expose it to higher external financing costs and/or increased levels of foreign currency and other risks.

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

The Bonds are denominated in Hong Kong dollars, which is pegged to the 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 Hong Kong 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. Although the exchange rate between the Hong Kong dollar and the U.S. dollar has been effectively pegged, there can be no assurance that the Hong Kong dollar will remain pegged to the U.S. dollar, especially in light of the significant international pressure on the Chinese government to permit the free floatation of the Hong Kong dollar or the Renminbi, which could result in an appreciation of the Hong Kong dollar or the Renminbi against the U.S. dollar. 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 Hong Kong dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Guarantee.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. In connection with the Company's other U.S. dollar-denominated liabilities, we have or may enter into foreign exchange or interest rate hedging agreements. 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. In June 2016, the Company entered into the GS ISDA Agreement with Goldman Sachs International, the Company's obligations under which are guaranteed by the Subsidiary Guarantors under the GS Guarantee and secured by the Collateral. In May 2017, the Company entered into the DB ISDA Agreement with Deutsche Bank AG, the Company's obligations under which are guaranteed by the Subsidiary Guarantors under the DB Guarantee and secured by the Collateral. Going forward, the Company may enter into further swap arrangements that require the Company to provide guarantees and security. Any default or termination under such swap arrangements could result in cross defaults under the Company's other debt agreements or bond indentures, leading to enforcement of the Collateral.

**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, a substantial amount of indebtedness. Our total borrowings, including bank and other borrowings, receipts under securitisation arrangements, the January 2018 Notes, 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 January 2018 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, and the Guarantees;
- 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 January 2018 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 certain of our subsidiaries from incurring additional debt and contingent liabilities, these restrictions are subject to important exceptions and qualifications.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations, including under the Guarantees, 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 January 2018 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 January 2018 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 January 2018 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, and consequentially affect our ability to satisfy our obligations under the Guarantees.

**If we are unable to comply with the restrictions and covenants in our debt agreements, the indentures governing the January 2018 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 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 January 2018 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 the January 2018 Notes, 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 January 2018 Notes, 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 January 2018 Notes, 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 January 2018 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 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 certain of our Restricted Subsidiaries;
- guarantee indebtedness of certain of our Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the certain of our 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.

**Holders of the Bonds are not entitled to rights with respect to the Shares, but are subject to changes made with respect to the Shares**

Holders of the Bonds are not entitled to any rights with respect to the Shares (including, without limitation, voting rights and rights to receive any dividends or other distributions on the Shares) prior to the time such Bondholders convert the Bonds for Shares and are themselves registered as holders thereof. However, such Bondholders are subject to all changes affecting the Shares. For

example, in the event that an amendment is proposed to the Company's articles requiring shareholder approval, and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to the date of conversion of the Bonds for such Shares and (as applicable) the date of registration by the relevant Bondholder as the holder thereof, that Bondholder would not be entitled to vote on the amendment but would nevertheless be subject to any resulting changes in the powers, preferences or special rights that affect the Shares after conversion.

#### **Short selling of the Shares by purchasers of the Bonds could materially and adversely affect the market price of the Shares**

The issuance of the Bonds may result in downward pressure on the market price of the Shares. Many investors in convertible bonds seek to hedge their exposure in the underlying equity securities, often through short selling the underlying equity securities or similar transactions. Any short selling or similar hedging activity could place significant downward pressure on the market price of the Shares, thereby having a material adverse effect on the market value of the Shares as well as on the trading price of the Bonds.

#### **Future issuances of Shares or equity-related securities may depress the trading price of the Shares**

Any issuance of the Company's equity securities after this Offering of the Bonds could dilute the interest of the existing shareholders and could substantially decrease the trading price of the Shares. The Company may issue equity securities in the future for a number of reasons, including to finance its operations and business strategy (including in connection with acquisitions, strategic collaborations or other transactions), to adjust its ratio of debt to equity, to satisfy its obligations upon the exercise of outstanding warrants, options or other convertible bonds or for other reasons. Sales of a substantial number of Shares or other equity-related securities in the public market (or the perception that such sales may occur) could depress the market price of the Shares, and impair the Company's ability to raise capital through the sale of additional equity securities. There is no restriction on the Company's ability to issue bonds or the ability of any of the Company's shareholders to dispose of, encumber or pledge the Shares, and there can be no assurance that the Company will not issue bonds or that the Company's shareholders will not dispose of, encumber or pledge the Shares. The Company cannot predict the effect that future sales of the Shares or other equity-related securities would have on the market price of the Shares. In addition, the price of the Shares could be affected by possible sales of the Shares by investors who view the Bonds as a more attractive means of obtaining equity participation in the Company and by hedging or engaging in arbitrage trading activity involving the Bonds.

#### **Bondholders will bear the risk of fluctuations in the price of the Shares**

The market price of the Bonds at any time will be affected by fluctuations in the price of the Shares. The Shares are currently listed on the Hong Kong Stock Exchange. There can be no certainty as to the effect, if any, that future issues or sales of Shares, or the availability of Shares for future issue or sale, will have on the market price of the Shares prevailing from time to time and therefore on the price of the Bonds. Sales of substantial numbers of Shares in the public market, or a perception in the market that such sales could occur, could adversely affect the prevailing market price of the Shares and the Bonds.

**The Company's results of operations, financial condition, future prospects and business strategy could also affect the value of the Shares**

The trading price of the Shares will be influenced by the Company's operational results (which in turn are subject to the various risks to which its businesses and operations are subject) and by other factors such as changes in the regulatory environment that may affect the markets in which the Company operates and capital markets in general. Corporate events such as share sales, reorganizations, takeovers or share buy-backs may also adversely affect the value of the Shares. Any decline in the price of the Shares would adversely affect the market price of the Bonds.

**Conversion of the Bonds would dilute the ownership interest of existing shareholders and could also adversely affect the market price of the Shares**

The conversion of some or all of the Bonds would dilute the ownership interests of existing shareholders. Any sales in the public market of the Shares issuable upon such conversion could adversely affect prevailing market prices for the Shares. In addition, the conversion of the Bonds might encourage short selling of the Shares by market participants.

**Holder have limited anti-dilution protection**

The Conversion Price (as defined in the Conditions) will be adjusted on the occurrence of certain events, including a subdivision, consolidation or reclassification of Shares, rights issue of Shares or options over Shares, capital distributions, capitalization of profits or reserves or other events as specified in Condition 6 (*Conversion*) (see "*Terms and Conditions of the Bonds.*") There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Shares. Events in respect of which no adjustment is made may adversely affect the value of the Shares and, therefore, adversely affect the value of the Bonds.

**The Bonds will have limited liquidity and the transfer of the Bonds will be restricted**

No public market exists for the Bonds. There is no current intention to list the Bonds other than on the SGX-ST. If any of the Bonds are traded after the initial issue, they may trade at a discount or premium from their initial offering price, depending on prevailing interest rates, the market for similar Bonds and other factors, including general economic conditions and the financial condition, performance and prospects of the Issuer. No assurance can be given as to the future price level of the Bonds after their initial issue.

The Bonds or the ordinary shares issuable upon conversion of the Bonds are not registered under the Securities Act or other securities laws. Unless and until the Bonds, they may not be offered or sold except in transactions that are exempt from the registration requirements of the Securities Act and hedging transactions may not be conducted unless in compliance with the Securities Act. The Bonds and the ordinary shares issuable upon conversion thereof will not be freely tradable absent registration or an exemption from registration.

**The Bonds contain provisions regarding modification and, waivers, which could affect the rights of Bondholders**

The Trust Deed contains provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders

of Bonds, including holders of Bonds who did not attend and vote at the relevant meeting and holders of Bonds who voted in a manner contrary to the majority. In addition, the Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of Bonds outstanding or by way of electronic consents through the Clearing Systems (in a form satisfactory to the Trustee) by or on behalf of holders of not less than 90 per cent. of the aggregate principal amount of the Bonds for the time being outstanding) shall be as valid and effective as duly passed Extraordinary Resolution of the Bondholders. The Conditions also provide that the Trustee may agree, without the consent of the Bondholders, to (i) any modification (except for certain reserved matters as set out in Condition 14(A) (*Meetings*)) to, or the waiver or authorization of any breach or proposed breach of, the Bonds, the Agency Agreement, the Intercreditor Agreement, the Security Documents or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders or (ii) any modification to the Bonds, the Agency Agreement, the Intercreditor Agreement, the Security Documents or the Trust Deed which, in the Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such modification, authorization or waiver shall be binding on the holders of Bonds.

#### **The Issuer may not have the ability to redeem the Bonds**

Bondholders may require the Issuer, subject to certain conditions, to redeem for cash all or some of their Bonds upon a transaction or event constituting a change of control or delisting or suspension of trading as described in Terms and Conditions of Bonds. The Issuer may not have sufficient funds or other financial resources to make the required redemption in cash at such time or the ability to arrange necessary financing on acceptable terms, or at all. The Issuer's ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Bonds by the Issuer would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness it holds.

#### **The insolvency laws of the British Virgin Islands, Cayman Islands and other local insolvency laws may differ from those of any other jurisdiction with which holders of the Bonds are familiar**

Because the Issuer and the Company are incorporated under the laws of the British Virgin Islands and the Cayman Islands, respectively, an insolvency proceeding relating to the Issuer or the Company even if brought in other jurisdictions, would likely involve British Virgin Islands or the Cayman Islands (as the case may be) insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy law in other jurisdictions. The Group conduct substantially all of its business operations through PRC-incorporated subsidiaries in the PRC. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of other jurisdictions with which the holders of the Bonds are familiar. Investors should analyze the risks and uncertainties carefully before investing in the Bonds. In relation to the insolvency law risk relating to the Subsidiary Guarantors, please see "*Risks relating to the Subsidiary Guarantees and the Collateral*" below.

### **The Bonds may not be a suitable investment for all investors**

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds and the merits and risks of investing in the Bonds and the information contained in this Offering Circular;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- understand thoroughly the terms of the Bonds; and
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

### **The Trustee may request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction**

In certain circumstances, the Trustee may (at its sole discretion) request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of Bondholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the Trust Deed and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the Trust Deed and the Conditions and applicable laws and regulations, it will be for the Bondholders to take such actions directly.

### **Lack of a public market for the Bonds**

The Bonds are a new issue of securities for which there is currently no established trading market when issued, and one may never develop. Application has been made for the listing and quotation of the Bonds on the SGX-ST. However, there can be no assurance that the Issuer will be able to maintain such a listing or that, if listed, a trading market will develop for the Bonds on the SGX-ST. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have an adverse effect on the market value of Bonds.

If an active trading market were to develop, the Bonds could trade at a price that may be lower than the initial offering price of the Bonds. Whether or not the Bonds will trade at lower prices depends on many factors, including:

- prevailing interest rates and the market for similar securities;
- general economic, market and political conditions;
- the financial condition, financial performance and future prospects of the Issuer and the Company;



- the publication of earnings estimates or other research reports and speculation in the press or investment community in relation to the Company; and
- changes in the industry and competition affecting the Group.

## **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 Bonds or at any time thereafter. No future subsidiaries that may be organized under the laws of the PRC, or which are not permitted by applicable law or regulation to guarantee the Bonds (the "Exempted Subsidiaries"), will provide a Subsidiary Guarantee at any time in the future. Moreover, the Bonds will not be guaranteed by certain Non-Guarantor Subsidiaries and under the terms of the Trust Deed, the Subsidiary Guarantors may be able to release their Subsidiary Guarantees subject to certain conditions and become Non-Guarantor Subsidiaries. As a result, the Bonds 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 Bonds 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 Bonds if we are unable to do so.

### **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 Bonds 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 Bonds.

#### **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 Bonds would have only an unsecured claim against us.

#### **The value of the Collateral will likely not be sufficient to satisfy our obligations under the Bonds**

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 Bonds, 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 Bonds, 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 Bonds 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 Bonds. Accordingly, we cannot assure you that the proceeds of any sale of the Collateral following an acceleration of the Bonds would be sufficient to satisfy, or would not be substantially less than, amounts due and payable on the Bonds. 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 Bonds, 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 January 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 January 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 Bonds 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 Bonds, the Subsidiary Guarantees and other *pari passu* secured indebtedness, and the Collateral securing the Bonds and such Subsidiary Guarantee may be reduced or diluted under certain circumstances, including the issuance of Additional Bonds and the disposition of assets comprising the Collateral, subject to the terms of the Trust Deed and the Intercreditor Agreement.

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

If so instructed by the holders of the Bonds, 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 January 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 Bonds. 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 Bonds 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 the underlying indentures and trust deeds, 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 Bonds and other secured parties.

If an Event of Default occurs under the Bonds, 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 January 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 Bonds. In that event, the holders of the Bonds would retain only the remedy to sue for payment on the Bonds and the Subsidiary Guarantees.

In addition, the obligations of the Issuer under the Bonds are expressed to be secured rateably and on a pari passu basis with the obligations of the Company under the January 2018 Notes and the Indentures by the Collateral given by the Company and the initial Subsidiary Guarantor Pledgors under the Intercreditor Agreement and the Security Documents. The Company or any of its Subsidiaries may, in certain circumstances, provide certain security or guarantees in relation to any of its indebtedness excluding the January 2018 Notes. In such a scenario, the Bonds will not receive the benefit of such security or guarantee as well.

**The risks described above do not necessarily comprise all those faced by the Group and are not intended to be presented in any assumed order of priority.**

**The investment referred to in this Offering Circular may not be suitable for all of its recipients. Investors are accordingly advised to consult an investment advisor before making a decision to subscribe for the Bonds.**

## **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 HK\$15,487 million. We intend to use the net proceeds from this offering for repaying debts and/or 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 Bonds 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 circular. Except as otherwise disclosed in this offering circular, 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\$)
<b>Cash and cash equivalents<sup>(1)</sup></b>	110,113.1	16,242.5	123,589.5	18,230.4
<b>Short-term borrowings</b>				
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
Bonds to be issued <sup>(8)</sup>	-	-	13,476.4	1,987.9
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 <sup>(2)(3)</sup>	47,270.7	6,972.8	60,747.1	8,960.7
<b>Long-term borrowings<sup>(3)(4)(5)</sup></b>				
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
Corporate bonds	24,924.4	3,676.5	24,924.4	3,676.5
Total long-term borrowings	115,161.4	16,987.1	115,161.4	16,987.1
<b>Equity attributable to owners of the Company</b>				
Issued share capital <sup>(6)</sup>	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
<b>Total capitalization<sup>(7)</sup></b>	<b>240,833.9</b>	<b>35,524.8</b>	<b>254,310.3</b>	<b>37,512.7</b>

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.

(8) In accordance with Hong Kong Accounting Standard 32 "Financial Instruments: Presentation", the Bonds should be split into an equity component and a liability component. For illustrative purposes only, the initial net proceeds from issuance of the Bonds as a whole have been presented as a liability in the above table.



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, the November 2018 Notes and the January 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 circular. 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 circular. 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 circular.

## 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)
<b>Gross profit</b>	<b>22,055.1</b>	<b>22,863.3</b>	<b>32,236.1</b>	<b>4,755.1</b>	<b>17,096.5</b>	<b>2,521.9</b>
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)
<b>Operating profit</b>	<b>16,605.0</b>	<b>16,178.4</b>	<b>22,124.2</b>	<b>3,263.5</b>	<b>11,573.3</b>	<b>1,707.2</b>
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
<b>Profit before income tax</b>	<b>16,369.1</b>	<b>14,833.1</b>	<b>21,390.6</b>	<b>3,155.3</b>	<b>12,410.0</b>	<b>1,830.6</b>
Income tax expenses	(5,757.2)	(5,121.4)	(7,727.3)	(1,139.8)	(4,036.6)	(595.4)
<b>Profit for the year/period</b>	<b>10,611.9</b>	<b>9,711.7</b>	<b>13,663.2</b>	<b>2,015.4</b>	<b>8,373.4</b>	<b>1,235.1</b>
<b>Other comprehensive income:</b>						
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 <sup>(1)</sup>	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)
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<b>1,473.0</b>	<b>(894.3)</b>	<b>139.5</b>	<b>20.6</b>	<b>214.3</b>	<b>31.6</b>
<b>Total comprehensive income for the year, net of tax</b>	<b>12,084.9</b>	<b>8,817.4</b>	<b>13,802.7</b>	<b>2,036.0</b>	<b>8,587.7</b>	<b>1,266.8</b>
<b>Profit attributable to:</b>						
—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
	<b>10,611.9</b>	<b>9,711.7</b>	<b>13,663.2</b>	<b>2,015.4</b>	<b>8,373.4</b>	<b>1,235.1</b>
<b>Total comprehensive income attributable to:</b>						
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
	<b>12,084.9</b>	<b>8,817.4</b>	<b>13,802.7</b>	<b>2,036.0</b>	<b>8,587.7</b>	<b>1,266.8</b>
Dividends	3,001.9	2,912.2	3,733.9	550.8	3,205.9	472.9
<b>Other Financial Data (unaudited)</b>						
EBITDA <sup>(1)</sup>	17,174.9	15,860.6	21,949.2	3,237.7	12,836.2	1,893.4
EBITDA Margin <sup>(2)</sup>	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.

(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\$)
<b>Non-current assets</b>						
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
<b>Current assets</b>						
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
<b>Current liabilities</b>						
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	97.6	14.4
	156,623.0	201,594.9	405,314.0	59,787.0	571,203.0	84,256.9
<b>Net current assets</b>	35,994.0	70,421.2	79,521.5	11,730.0	94,709.8	13,970.4
<b>Total assets less current liabilities</b>	111,409.2	160,361.4	186,257.6	27,474.5	223,464.7	32,989.6
<b>Non-current liabilities</b>						
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
<b>Equity attributable to owners of the Company</b>						
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
<b>Non-controlling interests</b>	5,756.2	24,049.7	11,486.8	1,694.4	15,902.0	2,345.7
<b>Total equity</b>	62,442.4	89,340.4	81,615.2	12,038.9	94,303.7	13,910.5
<b>Total equity and non-current liabilities</b>	111,409.2	160,361.4	186,257.6	27,474.5	223,464.7	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 circular. 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 circular 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 “Description of the Company—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
<b>Total</b>	<b>62,493,670</b>	<b>100.0</b>	<b>90,359,341</b>	<b>100.0</b>	<b>120,850,891</b>	<b>100.0</b>	<b>60,641,209</b>	<b>100.0</b>

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
<b>Total</b>	<b>60,081,424</b>	<b>100.0</b>	<b>87,621,756</b>	<b>100.0</b>	<b>117,182,797</b>	<b>100.0</b>	<b>58,225,174</b>	<b>100.0</b>

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, the November 2018 Notes and the January 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 circular.

*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 circular.

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 circular.

*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 circular.

## 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)
<b>Gross profit</b>	<b>22,055.1</b>	<b>22,863.3</b>	<b>32,236.1</b>	<b>4,643.0</b>	<b>12,026.0</b>	<b>17,096.5</b>	<b>2,521.9</b>
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)
<b>Operating profit</b>	<b>16,605.0</b>	<b>16,178.4</b>	<b>22,124.2</b>	<b>3,186.5</b>	<b>8,824.0</b>	<b>11,573.3</b>	<b>1,707.2</b>
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
<b>Profit before income tax</b>	<b>16,369.1</b>	<b>14,833.1</b>	<b>21,390.6</b>	<b>3,080.9</b>	<b>9,209.2</b>	<b>12,410.0</b>	<b>1,830.6</b>
Income tax expenses	(5,757.2)	(5,121.4)	(7,727.3)	(1,113.0)	(3,004.3)	(4,036.6)	(595.4)
<b>Profit for the year</b>	<b>10,611.9</b>	<b>9,711.7</b>	<b>13,663.2</b>	<b>1,967.9</b>	<b>6,204.9</b>	<b>8,373.4</b>	<b>1,235.1</b>
<b>Other comprehensive income:</b>							
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 <sup>(1)</sup>	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)
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<b>1,473.0</b>	<b>(894.3)</b>	<b>139.5</b>	<b>20.1</b>	<b>318.1</b>	<b>214.3</b>	<b>31.6</b>
<b>Total comprehensive income for the year, net of tax</b>	<b>12,084.9</b>	<b>8,817.4</b>	<b>13,802.7</b>	<b>1,988.0</b>	<b>6,523.0</b>	<b>8,587.7</b>	<b>1,266.8</b>
<b>Profit attributable to:</b>							
—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
	<b>10,611.9</b>	<b>9,711.7</b>	<b>13,663.2</b>	<b>1,967.9</b>	<b>6,204.9</b>	<b>8,373.4</b>	<b>1,235.1</b>
<b>Total comprehensive income attributable to:</b>							
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
	<b>12,084.9</b>	<b>8,817.4</b>	<b>13,802.7</b>	<b>1,988.0</b>	<b>6,523.0</b>	<b>8,587.7</b>	<b>1,266.8</b>
Dividends	3,001.9	2,912.2	3,733.9	537.8	1,538.0	3,205.9	472.9
<b>Other Financial Data (unaudited)</b>							
EBITDA <sup>(1)</sup>	17,174.9	15,860.6	21,949.2	3,161.3	9,252.2	12,836.2	1,893.4
EBITDA Margin <sup>(2)</sup>	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.

(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 RMB9,374.9 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 RMB'000	Percentage of revenue %	Revenue RMB'000	Percentage of revenue %
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
<b>Total .....</b>	<b>148,180,134.7</b>	<b>100.0</b>	<b>109,460,370.3</b>	<b>100.0</b>

- 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.

- 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.

- 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
<b>Total</b>	<b>109,460,370</b>	<b>100.0</b>	<b>81,897,856</b>	<b>100.0</b>

- 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, the issuance of the November 2018 Notes in November 2017 and the issuance of the January 2018 Notes in January 2018. 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, the January 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 RMB816.0 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
<b>Borrowings included in non-current liabilities:</b>				
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	51,522,550
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
<b>Borrowings included in current liabilities:</b>				
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
<b>Total</b>	<b>38,794,937</b>	<b>53,607,117</b>	<b>69,222,804</b>	<b>88,983,827</b>

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
	<b>38,794,937</b>	<b>53,607,117</b>	<b>69,222,804</b>

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. On January 17, 2018, we also issued 4.75% senior notes due 2023 with an aggregate principal amount of US\$250 million and 5.125% senior notes due 2025 with an aggregate principal amount of US\$600 million.

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 January 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, the January 2018 Notes and the Bonds 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,” “Description of other material indebtedness—November 2018 Notes” and “Description of other material indebtedness—January 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 circular.

### **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 January 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, the January 2018 Notes in the aggregate principal amount of US\$850.0 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
<b>Adjustments :</b>				
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 <sup>(1)</sup> .....	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
<b>EBITDA</b> .....	<b>17,174.9</b>	<b>15,860.6</b>	<b>21,949.2</b>	<b>12,836.2</b>

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.

## 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 circular.

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

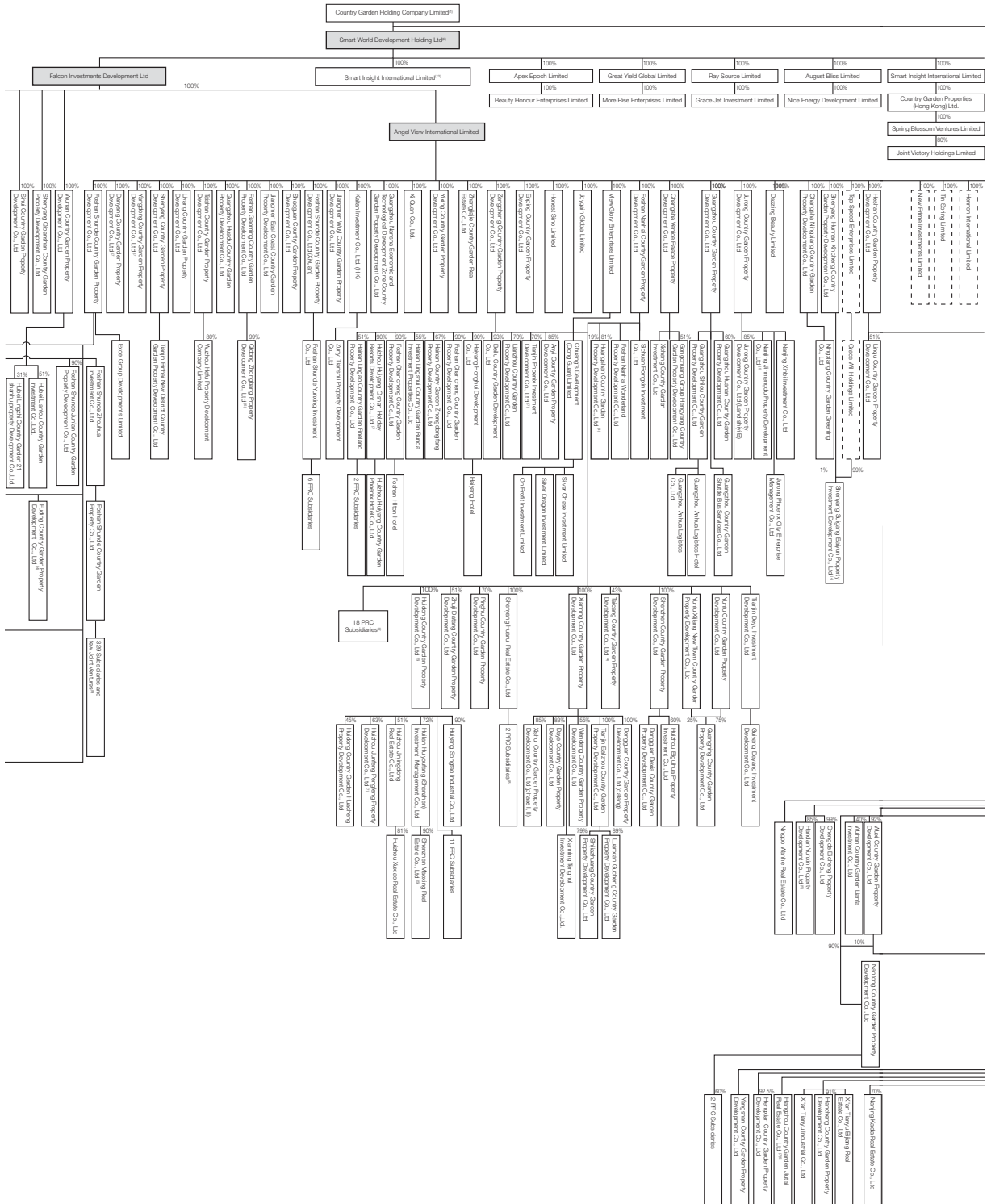
## Tourism industry in Guangdong Province

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.

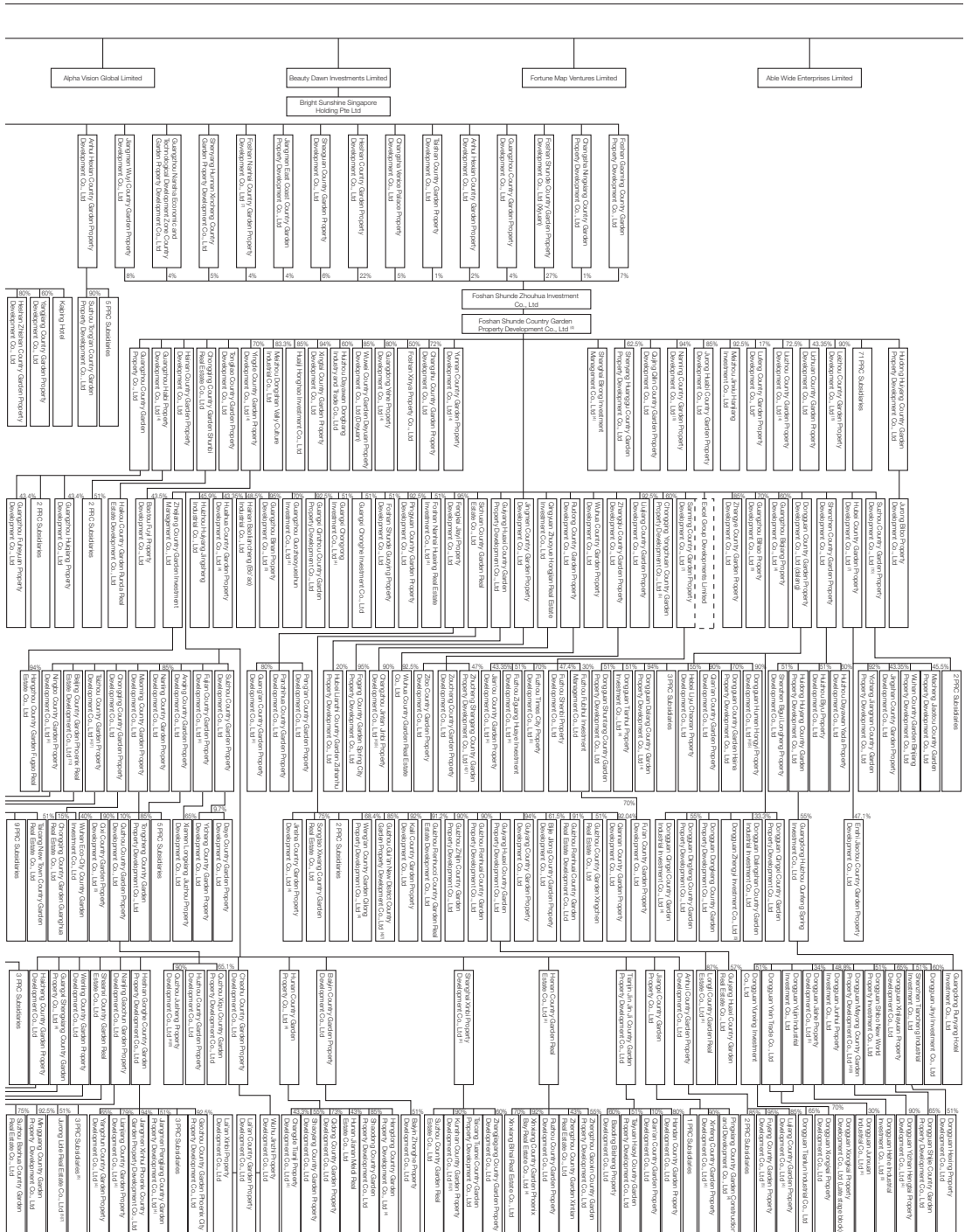
	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
<b>Total visits (millions)</b> .....	<b>217.4</b>	<b>249.8</b>	<b>273.7</b>	<b>301.5</b>	<b>326.5</b>	<b>361.9</b>	<b>397.8</b>	<b>10.6%</b>	<b>9.8%</b>
Total domestic visits (millions) .....	186.0	216.4	238.4	267.5	292.9	327.5	362.5	11.8%	11.1%
Total 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



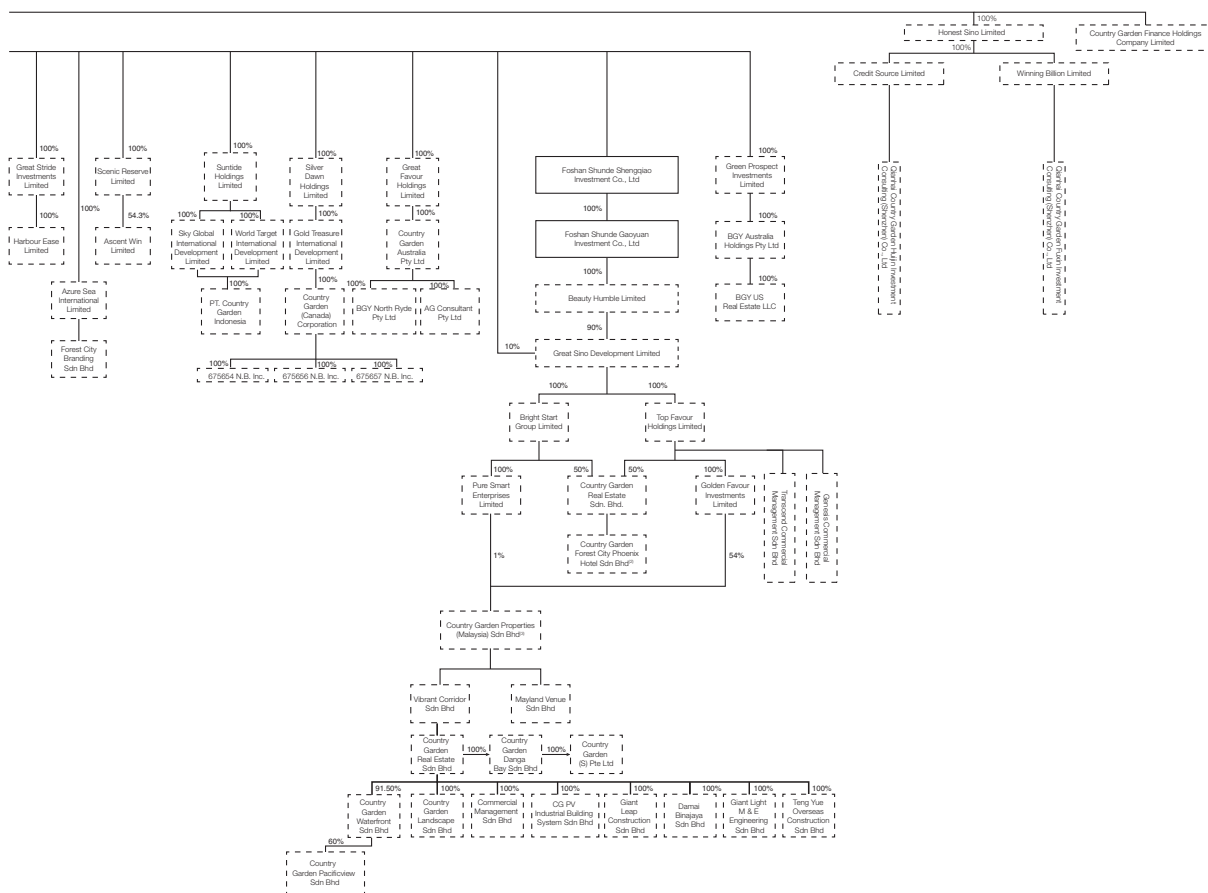


Subsidiary Guarantors  
 Unrestricted Subsidiaries



Unrestricted Subsidiaries





Unrestricted Subsidiaries

Notes:

- (1) Our controlling shareholder is Yang Huiyan, who held 56.70% of our shares as of the date of this offering circular, having taken account of the allotment of shares under the placing and subscription agreement dated January 16, 2018. See "Description of the Company—Recent Development—Share Placing and Subscription Agreement," "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 circular.
- (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, Jianguyin Gaoxin 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 Dongchengzhidi Property Development Co., Ltd, Jianguyin 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.
- (12) The Issuer was incorporated after June 30, 2017 and is 100% owned by Smart World Development Holdings Ltd.

## **Description of the Issuer**

### **Formation**

The Issuer is a BVI business company with limited liability incorporated under the BVI business companies act, 2004 (as amended) of the British Virgin Islands on February 15, 2017. The Issuer's registration number is 1936957. Its registered office is located at Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. The Issuer is an indirect wholly owned subsidiary of the Company.

### **Business activity**

The Issuer is an indirect wholly-owned subsidiary of the Company. The Issuer will not carry on any business activity whatsoever other than in connection with the issue of the Bonds or other bonds and any other activities incidental thereto (such activities shall, for the avoidance of doubt, include the on-lending of the proceeds of the issue of the Bonds and other bonds to any other subsidiary of the Company).

### **Financial statements**

Under the British Virgin Islands law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep financial records in such form as are sufficient to show and explain the issuer's transactions and will, at any time, enable the financial position of the Issuer to be determined with reasonable accuracy.

### **Directors and officers**

The directors of the issuer are Zuo Ying, Zhang Dandan and Hu Chao. The directors of the Issuer do not hold any shares or options to acquire shares of the Issuer. The Issuer does not have any employees and has no subsidiaries.

### **Share capital**

The Issuer is authorized under its memorandum of association to issue a maximum of 50,000 shares with US\$1.00 par value each of a single class and one share has been issued and held by Smart World Development Holdings Ltd, which is wholly owned by the Company. The register of members of the Issuer is maintained at its registered office in the British Virgin Islands. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought. As at the date of this offering circular, the issuer does not have any debt outstanding other than the Bonds offered hereby.

## Description of the Company

### 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, the November 2018 Notes and the January 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%. On January 18, 2018, we issued 4.75% senior notes due 2023 issued on January 17, 2018 in the aggregate principal amount of US\$250 million (the “January 2018 Notes A”) and our 5.125% senior notes due 2025 issued on January 17, 2018 in the aggregate principal amount of US\$600 million (the “January 2018 Notes B” and, together with the January 2018 Notes A, the “January 2018 Notes”). See “Description of other material indebtedness—2022 Notes,” “Description of other material indebtedness—November 2018 Notes” and “Description of other material indebtedness—January 2018 Notes.”

#### **Share Placing and Subscription Agreement**

On January 16, 2018, the Company entered into a placing and subscription agreement with, among others, Goldman Sachs (Asia) L.L.C. as the placing agent, under which the Company would place approximately 2.16% of the existing issued share capital and approximately 2.12% of the issued share capital of the Company as enlarged by the subscription, to no less than six independent third party professional, institutional and/or individual investors. The holder of the placed shares has conditionally agreed to subscribe the same number of new shares.

#### **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..<sup>(1)</sup>

### **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

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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 circular should not be unduly relied upon as a measure or indication of our current or future operating performance.

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);
- 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 circular. 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 circular 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	City (District)	Completed property developments <sup>(a)</sup>										Properties under development <sup>(b)</sup>				Schedulable GFA for future development with land grant contracts
			Aggregate saleable GFA to the project	Interest attributable to the Company	Total completed saleable GFA	Total saleable GFA sold and pending delivery	Total saleable GFA under development	Total saleable GFA with permit	Total GFA	Estimated commencement date	Actual/Estimated pre-sale commencement date	Estimated completion date	Saleable GFA for future development	Estimated commencement date			
1	Country Garden—Coral Palace (碧桂园·珊瑚宫)	Linghui (Yingzhou)	1,470,219	49%	512,919	511,725	468	30/Jun/17	957,300	419,058	331,773	7/Nov/14	4th Quarter, 2019	2,140,000	4th Quarter, 2017	4th Quarter, 2024	472,990
2	Asian Games Town (碧桂园)	Guangzhou (Panyu)	3,059,761	27%	1,297,042	1,280,104	16,938	30/Jun/17	2,222,719	208,640	222,071	11/Jun/14	2nd Quarter, 2019	2,767,033	4th Quarter, 2017	4th Quarter, 2024	
3	Country Garden—Phoenix City (碧桂园·凤凰城)	Zhenjiang (Jurong)	6,946,150	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	4th Quarter, 2017	4th Quarter, 2019	
4	Country Garden—Yinzhou Mansion (碧桂园·滨海湾)	Fuyang (Yingzhou)	888,776	65%					460,821	409,781	255,503	30/Sep/16	4th Quarter, 2019	242,157	4th Quarter, 2017	4th Quarter, 2020	
5	Country Garden—Dragon City—Phases One to Three (碧桂园·龙城—第三期)	Zhengzhou (Xingyang)	5,358,173	100%	3,441,583	3,436,232		26/Jun/17	794,985	713,712	565,707	23/Mar/17	3rd Quarter, 2019	1,121,605	3rd Quarter, 2017	4th Quarter, 2021	
6	Country Garden—Ten Miles Beach—including Xiaojing Bay City (碧桂园·十里外滩(含小径源畔城))	Huizhou (Huidong)	1,461,513	49%	298,867	298,537		23/Sep/15	338,167	338,167	325,447	12/Oct/13	2nd Quarter, 2019	824,479	4th Quarter, 2017	4th Quarter, 2020	
7	Country Garden—Phoenix City (碧桂园·凤凰城)	Xi'an (Weiyang)	1,021,119	100%	819,552	819,301	133	25/Sep/15	201,567	201,567	166,533	9/Jul/10	4th Quarter, 2018				
8	Country Garden—Grand Garden (碧桂园·豪园)	Guangzhou (Zengcheng)	2,259,534	60%					225,953	111,906	111,906	30/Mar/16	1st Quarter, 2019				
9	Country Garden—Times City (碧桂园·时代城)	Langfang (Sanhe)	366,687	100%					355,534	348,432	287,592	18/Mar/16	4th Quarter, 2018				
10	Songhu Country Garden (松湖碧桂园)	Dongguan (Dalingshan)	679,329	85%					366,687	286,652	222,790	2/Aug/16	1st Quarter, 2019				
11	Country Garden—Century City (碧桂园·世纪城)	Suzhou (Kunshan)	2,834,699	100%	1,000,891	1,086,619	107	25/May/17	867,934	774,263	692,074	14/Jun/16	4th Quarter, 2019	665,874	4th Quarter, 2017	4th Quarter, 2020	51,070
12	Country Garden—Gul'an One (碧桂园·观澜壹)	Guliyang (Gul'an)	1,075,273	54%					612,229	281,155	237,344	8/Sep/16	4th Quarter, 2019	463,044	2nd Quarter, 2018	4th Quarter, 2020	
13	Lanzhou Country Garden (兰州碧桂园)	Lanzhou (Chengguan)	146,669	100%					146,669	146,669	122,852	20/Oct/16	4th Quarter, 2018				
14	Country Garden—Park Palace (碧桂园·公园上城)	Dongguan (Guancheng)	650,863	51%					390,397	346,734	262,464	14/Oct/16	2nd Quarter, 2019				
15	Country Garden—Park Royal (碧桂园·皇家花园)	Guliyang (Huaxi)	136,087	85%					136,087	123,865	116,713	3/Mar/17	4th Quarter, 2018				
16	Country Garden—Wulong Mansion (碧桂园·梧桐府)	Jiaying (Tongxiang)	458,548	60%					458,548	449,897	414,837	19/Aug/16	4th Quarter, 2018				
17	Country Garden—The Cullinan (碧桂园·柏明顿)	Liu'an (Yuan)	92,417	47%					92,417	92,417	91,690	10/Dec/16	3rd Quarter, 2018				
18	Country Garden—Spring City (碧桂园·大地)	Linghui (Yingzhou)	3,080,206	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	4th Quarter, 2017	4th Quarter, 2019	3,392
19	Country Garden—Galaxy Palace (碧桂园·银河城)	Shenyang (Yuhong)	835,055	92%	42,488	42,337	151	25/Nov/16	535,322	409,483	370,698	30/Oct/15	2nd Quarter, 2019	257,245	4th Quarter, 2017	4th Quarter, 2019	
20	Country Garden—Phoenix Bay—Phases One to Five (碧桂园·凤凰湾—第五期)	Xinxiang (Pingyuan)	168,572	95%					168,572	166,896	161,561	8/Jun/16	3rd Quarter, 2018				
21	Country Garden—Bay One (碧桂园·碧湾)	Guangzhou (Nansha)	1,537,205	100%	738,216	738,130		30/Jun/2017	231,058	121,644	107,817	14/Sep/2016	4th Quarter, 2018	567,931	4th Quarter, 2017	4th Quarter, 2021	
22	Country Garden—Hill Lake City (碧桂园·山湖城)	Qingyuan (Qingcheng)	297,673	51%					274,920	272,313	172,872	5/Jun/2017	2nd Quarter, 2019	22,753	4th Quarter, 2017	4th Quarter, 2019	
23	Country Garden—Pingshou Mansion (碧桂园·平侯府)	Bozhou (Qiaocheng)	170,443	70%					170,443	167,821	162,706	5/Aug/2016	3rd Quarter, 2018				
24	Country Garden me & you (碧桂园·美寓)	Haikou (Longhua)	351,843	85%					170,443	167,821	162,706	16/Nov/2016	4th Quarter, 2018	137,698	4th Quarter, 2017	4th Quarter, 2019	
25	Country Garden—Central Mansion (碧桂园·中央华府)	Jiaying (Jiesong)	543,321	65%					543,321	543,321	540,130	22/Jun/2016	2nd Quarter, 2019				
26	Country Garden—Ronghui (碧桂园·荣汇)	Shenzhen (Longgang)	90,834	90%					90,834	90,834	57,157	17/Jun/2017	2nd Quarter, 2019				
27	Country Garden—Humen (碧桂园·汇门)	Dongguan (Humen)	278,948	100%	19,026	19,026		13/Mar/2017	259,922	233,279	136,081	8/Aug/2016	4th Quarter, 2018				
28	Country Garden—Jade Mansion (碧桂园·翡翠湾)	Wuhu (Wuwei)	326,039	49%					326,039	311,606	246,235	15/Nov/2016	4th Quarter, 2018				
29	Huilai Country Garden (汇来碧桂园)	Jiaying (Huilai)	459,785	100%					459,785	288,751	239,482	2/Dec/2016	4th Quarter, 2019				

Serial number	Project	City (District)	Completed property developments <sup>9</sup>										Properties under development <sup>10</sup>										Saleable GFA for future development <sup>11</sup>
			Aggregate saleable GFA <sup>12</sup>	Interest attributable to the project	Company	%	Total saleable GFA completed and pending delivery	Completion date	Total saleable GFA under development	Total saleable GFA with pre-sale permit	Total GFA pre-sold	Actual/Estimated commencement date	Actual/Estimated completion date	Saleable GFA for future development	Estimated completion date	Estimated completion date							
																	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	
32	Country Garden—Jiayu Garden (碧桂园·嘉誉花园)	Guangzhou (Zengcheng)	174,298	85%	174,298	174,298	106,462	24/Mar/2017	4th Quarter, 2018	280,166	3rd Quarter, 2017	4th Quarter, 2019											
33	Chouzhou Country Garden (柳州碧桂园)	Chouzhou (Xiangqiao)	508,853	100%	508,853	228,687	218,956	16/Dec/2016	4th Quarter, 2018	280,166	3rd Quarter, 2017	4th Quarter, 2019											
34	Longyou Country Garden (龙游碧桂园)	Qazhou (Longyou)	123,407	66%	123,407	123,407	117,258	23/Dec/2016	4th Quarter, 2018	73,578	2nd Quarter, 2018	4th Quarter, 2019											
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—Jinshang Star Phase Four (碧桂园金沙星城四期)	Wuhan (Dongxihu Area)	553,667	43%	367,989	316,561	185,678	18/Jan/2016	4th Quarter, 2018														
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	4th Quarter, 2018														
38	Country Garden—Tianyue Bay Mansion (碧桂园·天悦湾名邸)	Suzhou (Tiancheng)	155,435	85%	155,435	153,263	59,833	18/Nov/2016	4th Quarter, 2018														
39	Country Garden—Jade River (碧桂园·翡翠河)	Taizhou (Jingjiang)	190,511	57%	190,511	163,100	125,207	10/Dec/2016	4th Quarter, 2018														
40	Beihai Country Garden (北海碧桂园)	Beihai (Yinbai)	363,872	80%	184,628	148,403	138,464	30/Nov/2016	4th Quarter, 2018	179,244	4th Quarter, 2017	4th Quarter, 2019											
41	Country Garden Wantou Gemral Mansion (碧桂园悦湾中央名邸)	Chuzhou (Nanqiao)	322,117	34%	313,735	309,831	146,405	29/Sep/2016	2nd Quarter, 2019	8,382	1st Quarter, 2018	2nd Quarter, 2019											
42	Huayue Country Garden—Ten Miles Riverside (碧桂园·悦湾十里江湾)	Hengyang (Shigu)	1,105,947	60%	599,450	575,535	509,301	22/Dec/2016	4th Quarter, 2018	506,497	4th Quarter, 2017	4th Quarter, 2019											
43	Country Garden—Nanzhan New City (碧桂园·南漳新城)	Huizhou (Huijiang)	4,081,060	60%	1,58,436	132,491	118,558	14/Nov/2016	4th Quarter, 2018	3,922,624	4th Quarter, 2017	4th Quarter, 2024											
44	Wujiang—Country Garden City Plaza (碧桂园·威江城市广场)	Loudi (Loujing)	626,732	51%	483,633	352,451	324,220	25/Aug/2015	2nd Quarter, 2019	143,099	1st Quarter, 2018	2nd Quarter, 2020											
45	Country Garden Longxi Hill (碧桂园·隆溪山)	Huizhou (Dayawan)	204,303	100%	204,303	148,325	94,019	14/Dec/2016	4th Quarter, 2018														
46	Country Garden Feicuihai (碧桂园·翡翠海)	Nanjing (Lishui)	116,846	60%	116,846	110,126	109,486	24/Mar/2017	4th Quarter, 2018														
47	Country Garden—Dexin Mansion (碧桂园·德信名邸)	Qazhou (Kecheng)	348,065	47%	348,065	220,003	167,619	3/Nov/2016	4th Quarter, 2018														
48	Shantou Country Garden (汕头碧桂园)	Shantou (Longhu)	153,470	100%	153,470	134,366	109,744	19/Jan/2017	2nd Quarter, 2019														
49	Country Garden—Europe City (碧桂园·欧洲城)	Chuzhou (Nanqiao)	1,866,376	100%	559,748	553,257	161,554	28/Nov/2016	2nd Quarter, 2019	230,010	2nd Quarter, 2018	4th Quarter, 2020											
50	Lunliao Country Garden (澜寮碧桂园)	Foshan (Shunde)	445,850	65%	445,850	236,166	169,019	16/Nov/2016	4th Quarter, 2019														
51	Country Garden—Shijiangnan (碧桂园·十里江湾)	Suzhou (Wujiang)	221,541	40%	103,854	79,050	60,886	8/Dec/2016	4th Quarter, 2018	117,687	4th Quarter, 2017	2nd Quarter, 2019											
52	Country Garden—Ten Miles Riverside Area (碧桂园·十里江湾)	Yangjiang (Bihai New Area)	424,254	94%	191,709	189,385	163,135	24/Feb/2017	4th Quarter, 2018	232,545	4th Quarter, 2017	4th Quarter, 2019											
53	Country Garden—City One (碧桂园·城市一号)	Dongguan (Dalang)	421,878	60%	421,878	80,362	55,351	3/Mar/2017	2nd Quarter, 2019														
54	Country Garden—Jade Bay—Phases One to Three (碧桂园·翡翠湾—一至三期)	Suzhou (Zhangjiagang)	292,993	60%	292,993	282,808	235,589	8/Apr/2016	4th Quarter, 2018														
55	Wuhu Country Garden (芜湖碧桂园)	Wuhu (Senshanqu)	1,849,800	100%	1,426,830	1,404,532	71,611	18/Jan/2017	2nd Quarter, 2019														
56	Country Garden—City Central One (碧桂园·城市中央一号)	Dongguan (Guancheng)	97,857	100%	97,857	94,332	56,640	9/Dec/2016	4th Quarter, 2018														
57	Shibei Country Garden (碧桂园·时代)	Dongguan (Shatian)	371,035	100%	309,706	72,385	71,395	9/Dec/2016	2nd Quarter, 2019	17,624	1st Quarter, 2018	4th Quarter, 2019											
58	Country Garden Cuihu Bay (碧桂园·翠湖湾)	Huizhou (Huijiang)	342,377	70%	342,377	186,372	183,370	13/Jan/2016	2nd Quarter, 2019														
59	Country Garden—Amber Garden (碧桂园·琥珀花园)	Guangzhou (Zengcheng)	142,801	51%	142,801	139,503	89,308	6/Jan/2017	3rd Quarter, 2018	79,479	4th Quarter, 2017	4th Quarter, 2019											
60	Country Garden—Yanshan Mansion (碧桂园·燕山公馆)	Changzhou (Ujyang)	322,669	100%	243,190	89,308	33,563	6/Dec/2016	3rd Quarter, 2018														
61	Country Garden Haoping Bay (碧桂园·豪平湾)	Shanghai (Fengxian)	33,563	33%	33,563	33,563	32,223	6/Dec/2016	3rd Quarter, 2018														
62	Country Garden Longyue (碧桂园·珑悦)	Hangzhou (Xiaoshan)	115,998	100%	115,998	115,998	92,538	24/Jun/2016	4th Quarter, 2018														
63	Tianhui Country Garden (天汇碧桂园)	Tianhui (Qinzhou)	458,441	93%	325,123	325,123	239,929	15/Sep/2016	2nd Quarter, 2019	133,318	3rd Quarter, 2017	4th Quarter, 2019											
64	Country Garden—Jade Bay (碧桂园·翡翠湾)	Jiangmen (Kaiping)	859,073	100%	199,399	199,399	183,822	5/Feb/2016	4th Quarter, 2018	68,704	3rd Quarter, 2017	4th Quarter, 2019											
65	Shaoqian Country Garden—Sun Palace (碧桂园·韶前太阳宫)	Shaoguan (Xilian)	3,725,556	100%	1,355,460	1,344,436	604	15/Dec/2016	4th Quarter, 2019	1,614,302	1st Quarter, 2018	4th Quarter, 2024											

Serial number	Project	City (District)	Completed property developments <sup>6</sup>										Properties under development <sup>7</sup>					Saleable GFA for future development with pre-empt contracts
			Aggregate saleable GFA attained to the project	Interest attributable to the Company	Total completed saleable GFA	Total saleable GFA pending delivery	Completion date	Total saleable GFA under permit	Total saleable GFA with pre-sale permit	Total GFA commenced	Actual/Estimated commencement date	Estimated completion date	Saleable GFA for future development	Estimated pre-sale comment date	Estimated completion date			
																sq.m.	%	
66	Country Garden—Grand Mansion (碧桂园·帝尚)	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—Xijiang Mansion—Phases one & two (碧桂园·西江华府—二期)	Jiangmen (Fengjiang)	340,115	51%				340,115	295,455	274,139	28/Jun/2016	2nd Quarter, 2019						
69	Samning Country Garden (三宁碧桂园)	Nanning (Meilie)	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 Pubing Star Delicacy (碧桂园·普宁星厨)	Shanghai (Putong)	39,707	50%				39,707	36,256	31,000	31/Dec/2016	4th Quarter, 2018						
71	Ningbo Yixiao Wetland Park Project (碧桂园·宁波逸霄湿地公园)	Ningbo (Yinzhou)	115,714	100%				115,714	114,336	82,821	24/Jun/2016	2nd Quarter, 2018						
72	Zhoukai Country Garden (碧桂园·周凯)	Kaifeng (Xinqu)	241,932	70%				241,932	105,188	93,499	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	977,398	4th Quarter, 2017	4th Quarter, 2020			
74	Anqing Country Garden (安清碧桂园)	Anqing (Yingjiang)	3,095,269	100%	2,000,690	1,987,175	1,135	30/Jun/2017	108,206	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 (Heshan)	220,248	51%				220,248	160,795	157,320	30/Sep/2016	2nd Quarter, 2019						
76	Country Garden—Lantia Rongjiang Mansion (碧桂园·天悦)	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·府前壹号)	Quzhou (Kecheng)	98,906	100%				98,906	98,906	78,175	27/Oct/2016	3rd Quarter, 2018						
78	Danzao Country Garden (丹灶碧桂园)	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 (金坛碧桂园)	Changzhou (Jintan)	395,796	85%	119,110	118,707	403	31/Dec/2016	276,686	274,741	271,414	19/Jun/2015	4th Quarter, 2018					
81	Country Garden—Golden Beech (碧桂园·金沙湾)	Lin'gao (Lin'gao)	677,572	51%	433,064	414,177	1,806	15/Dec/2016	106,480	106,480	102,935	11/Mar/2016	2nd Quarter, 2018					
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—Jede Mansion (碧桂园·翡翠湾)	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)	Qianmangzhou (Longli)	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, 2019	2nd Quarter, 2021		
87	Taihan Country Garden (泰汉碧桂园)	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·珑玥)	Wenzhou (Lucheng)	124,657	95%				36,857	36,857	27,886	23/May/2017	4th Quarter, 2018	87,800	4th Quarter, 2017	4th Quarter, 2023			
89	Country Garden—Hu-pan-yue-shan (碧桂园·湖岸悦山)	Suzhou (Kiangcheng)	342,157	43%				212,086	171,517	68,537	23/Mar/2017	2nd Quarter, 2019	130,071	4th Quarter, 2017	4th Quarter, 2019			
90	Country Garden—Jede Mansion (碧桂园·翡翠湾)	Nantong (Chongshuan)	150,864	100%				140,017	108,968	54,746	14/Dec/2016	4th Quarter, 2018	10,847	4th Quarter, 2017	2nd Quarter, 2019			
91	Country Garden—Dragon City (碧桂园·龙悦城)	Boshou (Guoyang)	147,797	43%				147,797	147,797	140,235	25/Jun/2017	4th Quarter, 2018						
92	Country Garden—Ten Miles Riverside (碧桂园·十里江湾)	Luzhou (Chengzhongyuan)	490,541	43%				155,642	155,642	104,308	30/Sep/2016	4th Quarter, 2018	334,899	4th Quarter, 2017	4th Quarter, 2019			
93	Dongshanpu Country Garden (碧桂园·东山湖)	Neizhou (Waijiang)	504,055	83%				468,684	316,656	234,176	31/May/2016	2nd Quarter, 2019	45,371	1st Quarter, 2018	4th Quarter, 2019			
94	Country Garden—Ten Miles Golden Beach (碧桂园·十里金滩)	Yantai (Hailang)	2,220,603	90%	712,988	605,017	8,031	19/Apr/2016	338,751	172,431	24,992	15/Aug/2013	2nd Quarter, 2019	1,013,925	2nd Quarter, 2018	4th Quarter, 2023		
95	Country Garden—Xici Court (碧桂园·西溪院)	Wuxi (Huashan)	288,040	85%				178,983	178,983	92,394	20/Jun/2017	1st Quarter, 2019	109,057	4th Quarter, 2017	3rd Quarter, 2019			
96	Cixi Country Garden (慈溪碧桂园)	Ningbo (Cixi)	215,914	100%	215,914	209,416	1,350	24/Oct/2016										
97	Country Garden—Ten Miles Riverside (碧桂园·十里江湾)	Fuzhou (Minhou)	148,792	51%				148,792	116,680	115,801	22/Mar/2016	4th Quarter, 2018						
98	Nanjing Country Garden (南京碧桂园)	Nanjing (Jiangning)	656,294	100%	417,548	409,755	17/Apr/2017	238,746	235,596	207,761	17/Jun/2016	4th Quarter, 2018						

Serial number	Project	City (District)	Completed property developments <sup>1)</sup>				Properties under development <sup>2)</sup>				Properties for future development <sup>3)</sup>			
			Aggregate saleable GFA for project	Interest attributable to the Company	Total saleable GFA completed to the date	Total saleable GFA not pending delivery	Total saleable GFA with permit	Total saleable GFA sold pre-sold	Actual/Estimated pre-sale commencement date	Estimated completion date	Saleable GFA for future development	Estimated pre-sale commencement date	Estimated completion date	Saleable GFA for future development with grant contracts
99	Shengze Country Garden—including Times City (盛泽碧桂园(含时代城))	Suzhou (Wujiang)	627,304	100%	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)	Zhanjiang (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			80,738,363		30,960,905	24,401,750	19,488,244			24,253,829			1,178,849	

Notes:

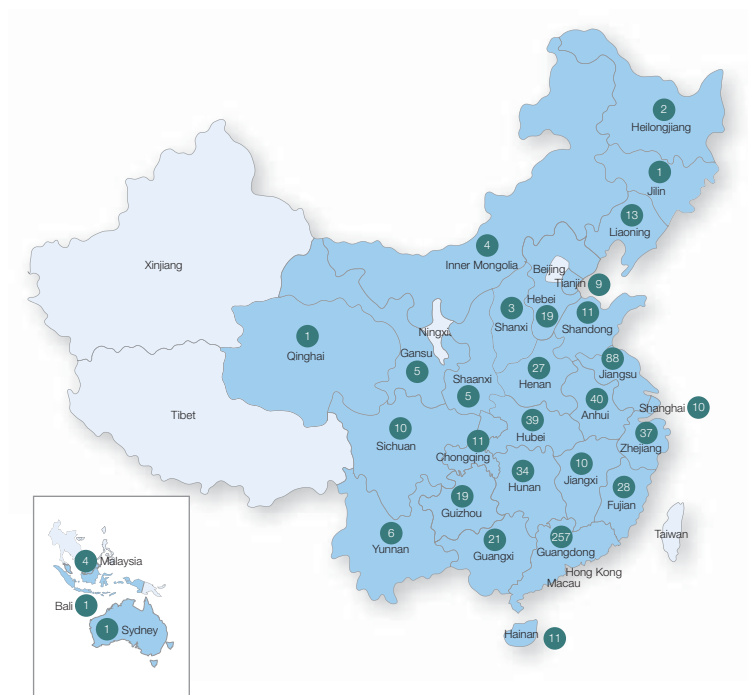
- 1 Based on the measurement reports from relevant government departments.
- 2 Based on the actual measurements by the project management departments of the Group.
- 3 "Saleable GFA for future development" for each project is the GFA expected to be built.
  - (1), (2), (3) had obtained land use right 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 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 circular 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 circular. 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 Wuhu 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 Wuhu 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 <sup>(1)</sup>
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 <sup>(1)</sup>
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 <sup>(1)</sup>
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 <sup>(1)</sup>
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 <sup>(1)</sup>
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 <sup>(1)</sup>
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 <sup>(1)</sup>
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 <sup>(1)</sup>
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 <sup>(1)</sup>
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 <sup>(2)</sup> (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 <sup>(1)</sup>
Country Garden Phoenix Hotel, Zhangjiajie <sup>(3)</sup> (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 <sup>(4)</sup> (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 <sup>(5)</sup> (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 <sup>(1)</sup>
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.

## 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, Shimao, 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 circular.

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 circular.

## 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) <sup>(1)</sup> .....	2,646
Property development (regional) <sup>(2)</sup> .....	21,652
Marketing and sales .....	22,385
Property management .....	39,054
Hotel .....	7,563
Construction, fitting and decoration management .....	7,292
Others .....	7,015
	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 circular, 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 of 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 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" (旅館業治安管理辦法) 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 administering 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 administering 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 circular.

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	54	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. Sun Jizhao	52	Vice President
Mr. OUYANG Baokun	48	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 Ziyang 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 Ziyang, 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, and independent non-executive director of Everbright Grand China Assets Limited with effect from January 16, 2018, 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 44, 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 54, 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 Could Computing Center, Chinese Academy of Sciences.

**Sun Jizhao (孫繼君)**, aged 52, is our vice president. Mr. Sun graduated from Chongqing University with a major in engineering cost management and obtained the EMBA degree from Guanghua School of Management, Peking University. Mr. Sun joined our Group in October 2011 and is mainly in charge of the management of daily operation and administration in Anhui region. He was awarded the “Outstanding Regional President” in 2014 and 2016 and the “Most Respectful Expert Advisor” in 2015 of the Company. Before joining our Group, Mr. Sun was employed by the China Construction Fifth Engineering Division Corp., Ltd. and served as the Secretary of the Party Committee of Shanghai Company. Mr. Sun has over 20 years of experience in construction management and seven years of experience in real estate investment, development and related business.

**Ouyang Baokun (歐陽寶坤)**, aged 48, is our vice president. Mr. Ouyang obtained his master degree of laws in U.S. legal studies from Touro College in the U.S. as well as bachelor’s degree in Chinese law studies from Sun Yat-sen University. He has obtained the lawyer qualification certificate issued by Ministry of Justice of the PRC. From 1994 to 2007, Mr. Ouyang worked in Shunde Economic Law Firm and Guoqiang Law Firm in Guangdong as a lawyer and a partner lawyer respectively. Meanwhile, he was employed as a legal advisor by our Group in charge of the legal affairs. In 2007, he joined our Group and was officially appointed as our vice general manager of the Investment Center of the Group, the general manager of the Huidong Country Garden Project, and the general manager of the Investment Center of our Group. He has been serving as the regional president of the Zhejiang region since August 2013 till now, responsible for the overall operation and administrative management of the Zhejiang region of our Group. Currently, Mr. Ouyang is responsible for the overall business in the Zhejiang region. Mr. Ouyang has 24 years of experience in property investment, development and relevant business of real estate.

### **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 Ziying 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 circular, the interests of the directors of our Company who held office at the date of this offering circular 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 circular <sup>(9)</sup>	Amount of debentures held
Mr. YEUNG Kwok Keung	Interest of controlled corporation	53,372,800 <sup>(1)</sup>	-	53,372,800	0.24%	-
Ms. YANG Huiyan	Interest of controlled corporation	12,327,774,943 <sup>(2)</sup>	-	12,327,774,943	56.70%	-
Mr. MO Bin	Beneficial owner	15,030,000	-	15,030,000	0.06%	-
Ms. YANG Ziyang	Interest of controlled corporation	6,750,000 <sup>(3)</sup>	-	6,750,000	0.03%	-
Mr. YANG Zhicheng	Beneficial owner	-	5,184,428 <sup>(4)</sup>	5,184,428	0.02%	-
Mr. XIE Shutai	Interest of spouse	901,266 <sup>(5)</sup>	-	901,266	-	-
	Beneficial owner	-	117,526 <sup>(4)</sup>	117,526	-	-
				1,018,792	0.01%	-
Mr. SONG Jun	Beneficial owner	-	4,722,679 <sup>(4)</sup>	4,722,679	0.02%	-
Mr. LIANG Guokun	Interest of spouse	2,026,936 <sup>(6)</sup>	-	2,026,936	0.01%	-
Mr. SU Baiyuan	Beneficial owner	436,096	1,135,435 <sup>(4)</sup>	1,571,531	-	-
	Interest of spouse	419,643 <sup>(7)</sup>	-	419,643	-	-
				1,991,174	0.01%	-
Mr. CHEN Chong	Interest of spouse	12,327,774,943 <sup>(8)</sup>	-	12,327,774,943	56.70%	-
Mr. LAI Ming, Joseph	Beneficial owner	-	1,014,786 <sup>(4)</sup>	1,014,786	0.01%	-
Mr. SHEK Lai Him, Abraham	Beneficial owner	-	1,014,786 <sup>(4)</sup>	1,014,786	0.01%	-
Mr. TONG Wui Tung	Beneficial owner	-	1,014,786 <sup>(4)</sup>	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.
- (9) This table has taken account of the allotment of shares under the placing and subscription agreement dated January 16, 2018. See "Description of the Company—Recent Development—Share Placing and Subscription Agreement."

## 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 <sup>(2)</sup>	Exercised during the period	Cancelled during the period	Lapsed during the period				
<b>Directors</b>									
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 <sup>(1)</sup>	186,342	-	-	-	-	186,342	3.332	16.03.2016	16.03.2021-15.03.2026
Mr. OU Xueming <sup>(1)</sup>	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			
<b>Employees of the Group</b>	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			
<b>Total</b>	<b>14,061,871</b>	-	-	-	-	<b>14,061,871</b>			

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 <sup>(2)</sup>	Exercisable period
	Outstanding at January 1, 2017	Granted during the period <sup>(1)</sup>	Exercised during the period	Cancelled during the period	Lapsed during the period				
<b>Directors</b>									
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
<b>Total</b> .....	-	<b>2,895,406</b>	-	-	-	<b>2,895,406</b>			

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 circular, 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 <sup>(6)</sup>
Concrete Win Limited . . . . .	Beneficial Owner	9,386,446,010 <sup>(1)</sup>	43.17%
Genesis Capital Global Limited . . . . .	Beneficial Owner	2,840,000,000 <sup>(2)</sup>	13.06%
Ping An Life Insurance Company of China, Ltd. . . . .	Beneficial Owner	2,236,200,000 <sup>(3), (4)</sup>	10.28% <sup>(5)</sup>

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 circular.
- (6) This table has taken account of the allotment of shares under the placing and subscription agreement dated January 16, 2018. See "Description of the Company—Recent Development—Share Placing and Subscription Agreement."

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 circular.

## 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\$)
<b>Construction and decoration service income</b>						
Controlled by the ultimate controlling shareholder <sup>(1)</sup> .....	-	-	-	-	-	-
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
<b>Purchase of design service</b>						
Controlled by the ultimate controlling shareholder <sup>(1)</sup> .....	1,126,836	915,751	1,055,012	151,953.3	1,097,963	161,958.2
<b>Purchase of construction, materials and water</b>						
Controlled by the ultimate controlling shareholder <sup>(1)</sup> .....	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
<b>Provide guarantee for borrowings</b>						
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
<b>Key management compensation</b> .....	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 circular 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\$)
<b>Balances due from related parties</b>						
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>
<b>Balances due to related parties</b>						
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 Pipe 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 Pipe Co. to independent third parties. In 2014, 2015, 2016 and the six months ended in June 30, 2017, purchases of cement products from Grand Pipe 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 circular.

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:

<b>Period</b>	<b>Redemption Price</b>
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:

<b>Period</b>	<b>Redemption Price</b>
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.

### **January 2018 Notes**

On January 17, 2018, we entered into an indenture (the "January 2018 Indenture") pursuant to which we issued an aggregate principal amount of US\$250,000,000 4.75% Senior Notes due 2023 (the "Tranche A January 2018 Notes") and an aggregate principal amount of US\$600,000,000 5.125% Senior Notes due 2025 (the "Tranche B January 2018 Notes" and, together with the Tranche A January 2018 Notes, the "January 2018 Notes").

### **Guarantee**

The obligations pursuant to the January 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, the November 2018 Notes and the January 2018 Notes (the "January 2018 Subsidiary Guarantors"). Each of the January 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 January 2018 Notes and the January 2018 Indenture.

### **Collateral**

The capital stock of certain January 2018 Subsidiary Guarantors (the "Shared Collateral") is currently pledged to secure on a *pari passu* basis our obligations under (i) the January 2018 Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the indenture governing the January 2018 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 pledgers under the facility agreement governing the 2015 Club Loan, (x) the 2016 Club Loan and the subsidiary guarantees provided by the subsidiary guarantor pledgers under the facility agreement governing the 2016 Club Loan, (xi) the 2017 Club Loan and the subsidiary guarantees provided by the subsidiary guarantor pledgers under the facility agreement governing the 2017 Club Loan, (xii) the GS Hedging Obligations, (xiii) the DB Hedging Obligations, (xiv) the November 2018 Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgers under the indenture governing the November 2018 Notes and (xv) the January 2018 Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgers under the indenture governing the January 2018 Notes, subject to the Intercreditor Agreement. The Intercreditor Agreement governs the relationships among the holders of the January 2018 Notes, the November 2018 Notes, the holder of the January 2018 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 January 2018 Notes, the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the November 2018 Notes, the January 2018 Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgers relating to these securities, subject to the Intercreditor Agreement.

### ***Interest***

The Tranche A January 2018 Notes bear an interest rate of 4.75% per annum and the Tranche B January 2018 Notes bear an interest rate of 5.125% per annum. Interest is payable semi-annually in arrears.

### ***Covenants***

Subject to certain conditions and exceptions, the January 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 January 2018 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the January 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 January 2018 Notes may, and the trustee under the January 2018 Indenture at the request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the January 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 January 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 of the Tranche A January 2018 Notes***

The maturity date of the Tranche A January 2018 Notes is January 17, 2023.

At any time and from time to time on or after January 17, 2021 we may redeem the Tranche A January 2018 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:

<b>Period</b>	<b>Redemption Price</b>
2021 .....	102.3750%
2022 .....	101.1875%

At any time prior to January 17, 2021, the we may redeem the Tranche A January 2018 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Tranche A January 2018 Notes plus a premium and any accrued and unpaid interest to the redemption date.

At any time and from time to time prior to January 17, 2021, we may redeem up to 35% of the aggregate principal amount of the January 2018 Notes at a redemption price of 104.75% equal to the principal amount of the Tranche A January 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 Tranche A January 2018 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 Subsidiary Guarantor under the Tranche A January 2018 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the Tranche A January 2018 Notes at a redemption price equal to 100% of the principal amount of the Tranche A January 2018 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

***Maturity and redemption of the Tranche B January 2018 Notes***

The maturity date of the Tranche B January 2018 Notes is January 17, 2025.

At any time and from time to time on or after January 17, 2022, we may redeem the Tranche B January 2018 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 we may redeem the Tranche B January 2018 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Tranche B January 2018 Notes plus a premium and any accrued and unpaid interest to the redemption date.

At any time and from time to time prior to January 17, 2022 we may redeem up to 35% of the aggregate principal amount of the Tranche B January 2018 Notes at a redemption price of 105.125% equal to the principal amount of the Tranche B January 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 Tranche B January 2018 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 Subsidiary Guarantor under the Tranche B January 2018 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the Tranche B January 2018 Notes at a redemption price equal to 100% of the principal amount of the Tranche B January 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 circular. 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 circular, 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 circular, 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.

## Terms and Conditions of the Bonds

*The following (other than the words in italics) is the text of the terms and conditions of the Bonds (as defined below) which will appear on the reverse of each individual registered bond certificates evidencing the Bonds:*

The issue of up to HK\$15,600,000,000 in aggregate principal amount of Zero Coupon Secured Guaranteed Convertible Bonds due January 27, 2019 (the "**Bonds**", which term shall include, unless the context requires otherwise any further Bonds issued in accordance with Condition 16 and consolidated and forming a single series therewith) of Smart Insight International Limited (the "**Issuer**") were authorized by resolutions of the board of directors of the Issuer passed on or around January 16, 2018. The Bonds will be guaranteed by the Company. The guarantee of the Bonds by the Company and the right of conversion into Shares (as defined in Condition 6(A)(v)) were authorized by resolutions of the board of directors of the Company passed on or around January 16, 2018. In addition, the right of conversion into Shares was approved by resolutions of the shareholders of the Company on 18 May 2017.

The Bonds are also jointly and severally guaranteed by the initial Subsidiary Guarantors (as defined below), which were authorized by resolutions of the board of directors and shareholders of each initial Subsidiary Guarantor passed on or before January 30, 2018. The Bonds have the benefit of the certain security on the Collateral as set out in Condition 4 and subject to the terms of the Intercreditor Agreement (as defined below). The granting of such security was authorized by resolutions of the board of directors of the Company passed on or before January 30, 2018 and by resolutions of the board of directors and shareholders of each of the initial Subsidiary Guarantor Pledgors (as defined below) on or before January 30, 2018.

The Bonds are constituted by a trust deed (as amended or supplemented from time to time, the "**Trust Deed**") dated January 30, 2018 (the "**Issue Date**") made between the Issuer, Company, the Subsidiary Guarantors and Citicorp International Limited as bond trustee and security trustee for the Bondholders (the "**Trustee**", which term shall, where the context so permits, include all other persons or companies for the time being acting as bond trustee or security trustee under the Trust Deed) and are subject to the paying and conversion agency agreement dated January 30, 2018 (as amended or supplemented from time to time, the "**Agency Agreement**") made between the Issuer, Company, the Trustee, the Subsidiary Guarantors and Citibank N.A., London Branch as principal paying, conversion and agent and transfer agent (the "**Principal Agent**"), Citigroup Global Markets Deutschland AG as registrar (the "**Registrar**") and the other paying, conversion and transfer agents appointed under it (each a "**Paying Agent**", "**Conversion Agent**" or "**Transfer Agent**", as applicable, and together with the Registrar and the Principal Agent, the "**Agents**") relating to the Bonds. References to the "**Principal Agent**", "**Registrar**" and "**Agents**" below are references to the principal agent, registrar and agents for the time being for the Bonds. The statements in these terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed. Unless otherwise defined, terms used in these Conditions have the meaning specified in the Trust Deed.

Copies of the Trust Deed, the Security Documents, the Intercreditor Agreement, the Indenture and the Agency Agreement are available for inspection during normal business hours at the registered office of the Trustee being as at the date hereof at 39th Floor, Champion Tower, Three Garden Road, Central, Hong Kong and at the specified offices of each of the Agents. The Bondholders are entitled to the benefit of, and are bound by, the Trust Deed and are deemed to

have notice of all the provisions of the Trust Deed, the Security Documents, the Intercreditor Agreement and the Agency Agreement applicable to them.

## **1. Status and Guarantees**

### **A. Status**

The Bonds constitute direct, unsubordinated, unconditional and secured obligations of the Issuer, and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

### **B. Guarantees**

The Company has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed.

Each initial Subsidiary Guarantor has unconditionally and irrevocably guaranteed, on a joint and several basis, the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed.

Each Subsidiary Guarantor's and the Company's obligations in the above respect (the "**Guarantees**") are contained in the Trust Deed. Each Guarantee constitutes direct, unsubordinated, unconditional and secured obligations of the Company and each Subsidiary Guarantor, respectively. The payment obligations of the Company and each Subsidiary Guarantor under their respective Guarantees shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all their respective other present and future unsecured and unsubordinated obligations.

The initial Subsidiary Guarantors as at the Issue Date are 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 initial Subsidiary Guarantors consist of all of the Company's Restricted Subsidiaries other than the Non-Guarantor Subsidiaries. All of the initial Subsidiary Guarantors are holding companies that do not have significant operations.

The Company will cause each of its future Subsidiaries which guarantees the payment of amounts payable under the Notes or the Indentures to execute and deliver to the Trustee a supplemental trust deed to the Trust Deed (a "**Supplemental Trust Deed**") pursuant to which each such Subsidiary will guarantee the payment of any amount payable under the Bonds or the Trust Deed on a *pari passu* basis with the obligations of the Company under the Notes and the Indenture. Each Subsidiary of the Company that guarantees the Bonds after the Issue Date, upon execution of the applicable Supplemental Trust Deed, will be a "**Subsidiary Guarantor**".

A Subsidiary Guarantor shall be simultaneously released from its obligations under the relevant Subsidiary Guarantee upon the release of the Subsidiary Guarantor from its Subsidiary Guarantee under the Indenture. The Trust Deed provides that no release of a Subsidiary Guarantor from the relevant Subsidiary Guarantee shall be effective against the Trustee or the Bondholders until the Company has delivered to the Trustee an officer's certificate stating that all requirements

relating to such release and discharge have been complied with and that such release and discharge is authorized and permitted under the Trust Deed and the Security Documents (as defined in Condition 4(B)).

For the purposes of these Conditions:

**"Indenture"** means each indenture dated January 17, 2018 (as amended, restated and/or supplemented from time to time) between, among others, the Company, the Subsidiary Guarantors and Citicorp International Limited as trustee of the Notes;

**"Notes"** means each of the US\$250,000,000 aggregate principal amount of 4.75 per cent. Senior Notes due 2023 and the US\$600,000,000 5.125 per cent. Senior Notes due 2025 to be issued on or about January 17, 2018 and as further described in an offering memorandum dated January 9, 2018;

**"Subsidiary Guarantee"** has the meaning given to it under the Indenture;

**"Subsidiary Guarantor"** means any initial Subsidiary Guarantor named in these Conditions and any other Subsidiary which guarantees the payment of the Bonds pursuant to the Guarantees; provided that Subsidiary Guarantor will not include any Person whose Subsidiary Guarantee has been released in accordance with these Conditions and the Trust Deed.

For the purposes of this Condition 1(A) only, **"Subsidiary"** has the meaning given to it under the Indenture.

*A copy of the Indenture will be available free of charge from the Company, upon the written request of any Bondholder.*

## **2. Form, Denomination and Title**

### **A. Form and Denomination**

The Bonds are issued in registered form in the denomination of HK\$2,000,000 each and integral multiples thereof. A bond certificate (each a **"Certificate"**) will be issued to each Bondholder in respect of its registered holding of Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders (the **"Register"**) which the Issuer will procure to be kept by the Registrar.

*Upon issue, the Bonds will be represented by the Global Certificate deposited with a common depository for, and representing Bonds registered in the name of a nominee of, Euroclear Bank S.A./N.V and Clearstream Banking S.A. The Conditions are modified by certain provisions contained in the Global Certificate. See the section of the Offering Circular entitled "The Global Certificate".*

### **B. Title**

Title to the Bonds passes only by transfer and registration in the Register as described in Condition 3. The holder of any Bond will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions **"Bondholder"** and (in relation to a Bond) **"holder"** mean the person in whose name a Bond is registered.

### **3. Transfers of Bonds; Issue of Certificates**

#### **A. Register**

The Issuer will cause to the Register be kept at the specified office of the Registrar outside of Hong Kong and the United Kingdom and in accordance with the terms of the Agency Agreement on which shall be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of the Bonds. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

#### **B. Transfer**

Subject to Condition 3(E) and Condition 3(F) and the terms of the Agency Agreement, a Bond may be transferred by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back of the relevant Certificate duly completed and signed by the holder, or his attorney duly authorized in writing, to the specified office of the Registrar or the specified office of any of the Transfer Agents during usual business hours. No transfer of a Bond will be valid unless and until entered on the Register.

*Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.*

#### **C. Delivery of New Certificates**

Each new Certificate to be issued upon a transfer of Bonds will, within three business days of receipt by the Registrar or, as the case may be, any other relevant Transfer Agent of the original Certificate and the form of transfer on the back of such Certificate duly completed and signed, be made available for collection at the specified office of the Registrar or such other relevant Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (but free of charge to the holder and at the Company's expense) to the address specified in the form of transfer.

*Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.*

Where only part of a principal amount of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred or converted in accordance with Condition 6, a new Certificate in respect of the Bonds not so transferred or converted will, within three business days of delivery of the original Certificate to the Registrar or other relevant Transfer Agent, be made available for collection at the specified office of the Registrar or such other relevant Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred or converted (but free of charge to the holder) to the address of such holder appearing on the Register.

For the purposes of this Condition 3, "**business day**" shall mean a day other than a Saturday or Sunday on which banks are open for business in the city in which the specified office of the Registrar (if a Certificate is deposited with it in connection with a transfer or conversion) or the Transfer Agent with whom a Certificate is deposited in connection with a transfer or conversion, is located.



#### **D. Formalities Free of Charge**

Registration of a transfer of Bonds and issuance of new Certificates will be effected without charge by or on behalf of the Issuer or any of the Agents, but upon (i) payment (or the giving of such indemnity as the Issuer or any of the Agents may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer and (ii) the Issuer or the Registrar or other relevant Transfer Agent being satisfied that the regulations concerning transfer of Bonds have been complied with.

#### **E. Closed Periods**

No Bondholder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (and including) any date for payment of principal pursuant to the Conditions; (ii) during the period of seven days ending on (and including) any date for redemption pursuant to Condition 8(C); (iii) after a Conversion Notice (as defined in Condition 6(B)) has been delivered with respect to a Bond; (iv) after a Relevant Event Redemption Notice (as defined in Condition 8(D)) has been deposited in respect of such Bond; or (v) during such other periods during which the Issuer may be required to close its stock transfer books under any applicable law (each such period, a “**Closed Period**”).

#### **F. Regulations**

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Agency Agreement. Such regulations may be changed by the Issuer, with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge to the Bondholder) by the Registrar to any Bondholder upon request in writing.

### **4. Negative Pledge, Security and Permitted Indebtedness**

#### **A. Negative Pledge**

Each of the Issuer and the Company undertakes that, so long as any of the Bonds remains outstanding (as defined in the Trust Deed) or any amount is due under or in respect of any Bond or otherwise under the Trust Deed, it will not, and will procure that none of its Subsidiaries (other than any Subsidiary designated as an Unrestricted Subsidiary or Exempted Subsidiary in accordance with the terms of the Indenture) will, create or permit to subsist or arise any Security Interest upon the whole or any part of their respective present or future assets or revenues to secure any Relevant Indebtedness of the Issuer or any such Subsidiary of the Issuer or any other person or entity or to secure any guarantee of or indemnity in respect of any such Relevant Indebtedness (except for any Further Security Interest that is permitted by these Conditions) unless, at the same time or prior thereto, the Company or the Issuer’s obligations under the Bonds are secured equally and rateably by the same Security Interest or, at the option of the Issuer or the Company (as applicable), by such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Bondholders or as shall be approved by an Extraordinary Resolution of the Bondholders.

In these Conditions:

- (i) any reference to “**Further Security Interests**” is to a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other arrangement having a similar economic effect;

- (ii) any reference to “**Security Interest**” is to a mortgage, charge, pledge, lien or security interest securing any obligation of any person; and
- (iii) any reference to “**Relevant Indebtedness**” is to any future or present indebtedness incurred outside the People’s Republic of China in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depository receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which are, or are issued with the intention on the part of issuer thereof that they should be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or any other securities market (whether or not initially distributed by way of private placement) but shall not include indebtedness under any secured transferable loan facility (which term shall for these purposes mean any agreement for or in respect of indebtedness for borrowed money entered into with one or more banks and/or financial institutions whereunder rights and (if any) obligations may be assigned and/or transferred).

## **B. Security**

The obligations of the Issuer and the Company under the Bonds, the Trust Deed, (and for the Company only) the Notes and the Indenture, and of the Company and the initial Subsidiary Guarantors under the Guarantee and their respective Subsidiary Guarantees, are secured rateably and on a *pari passu* basis with the obligations of the Company under the Notes and the Indenture by the Collateral given by the Company and the initial Subsidiary Guarantor Pledgors under the Intercreditor Agreement and the Security Documents (the “**Security**”).

*The Security is granted by the Company and the initial Subsidiary Guarantor Pledgors to Citicorp International Limited as Trustee and is evidenced by and subject to the terms of the Intercreditor Agreement and the Security Documents. Pursuant to the terms of the Intercreditor Agreement the Security is shared on a pari passu basis with the holders of the Notes.*

The initial Subsidiary Guarantor Pledgors are Smart World Development Holdings Ltd, InfinitiHoldings Development Limited, Wise Fame Group Ltd., Falcon Investments Development Ltd., and Impreza Group Limited.

The Company will procure that any Further Security Interests, granted by the Company or any future Subsidiary Guarantor Pledgor pursuant to the Indenture after the Issue Date securing the obligations of the Company under the Notes and the Indenture or of a Subsidiary Guarantor under its Subsidiary Guarantee, is also granted to the Trustee for the benefit of the Bondholders on a *pari passu* basis to secure the obligations of the Issuer under the Bonds and the Trust Deed and of such Subsidiary Guarantor and the Company under their respective Guarantees. Each future Subsidiary Guarantor Pledgor that grants such further Security after the Issue Date, upon the granting of the further Security, will be a “**Subsidiary Guarantor Pledgor**”.

Subject to compliance with provisions of the Trust Deed, any Security created in respect of the Collateral shall be released upon the release, pursuant to the Indenture, of any *pari passu* Security Interest in respect of the same Collateral for the Notes.

Neither the Trustee nor any of its officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Bonds, for the legality, enforceability, effectiveness or sufficiency of the Security Documents or the Intercreditor Agreement, for the creation, perfection, priority, sufficiency or protection of

any of the Security, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Security or Security Documents or any delay in doing so.

In these Conditions:

**“Capital Stock”** has the same meaning given to it under the Indenture;

**“Collateral”** means all collateral securing, or purported to be securing, directly or indirectly, the Notes and the Bonds 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;

**“Security Documents”** means, collectively, the share charges and any other agreements or instruments that in each case may evidence or create any Security in any or all of the Collateral in favor of The Bank of New York Mellon (or its successors) as the Collateral Agent for the holders of the Notes and/or any Bondholder; and

**“Subsidiary Guarantor Pledgor”** means each initial Subsidiary Guarantor Pledgor named herein and each other Subsidiary Guarantor which provides Collateral pursuant to the Trust Deed and the Intercreditor Agreement to secure the obligations of the Issuer under the Bonds and the Trust Deed; provided that Subsidiary Guarantor Pledgor will not include any person whose security under the Security Documents has been released in accordance with the Trust Deed, the Intercreditor Agreement and the Security Documents.

### **C. 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”** which term shall, where the context so permits, include all other persons or companies for the time being acting as collateral agent and intercreditor agent under the Intercreditor Agreement and the Security Documents), among others, are party to an intercreditor agreement dated September 10,, 2009 as amended and supplemented (the **“Existing Intercreditor Agreement”**) and the following parties have acceded to the Existing Intercreditor Agreement: the trustee on behalf of the holders of the 11.750 per cent. Senior Notes due 2014 (which have been fully redeemed), the trustee on behalf of the holders of the 11.250 per cent. Senior Notes due 2017 (which have been fully redeemed), the trustee on behalf of the holders of the 10.500 per cent. Senior Notes due 2015 (which have been fully redeemed), the trustee on behalf of the holders of the 11.125 per cent. 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,

Deutsche Bank AG as beneficiary of the DB Hedging Obligations under the DB Agreement and the DB Guarantee, the January 2025 trustee on behalf of the holders of the January 2025 Notes and the January 2023 trustee on behalf of the holders of the January 2023 Notes. On or prior to the Issue Date, the Trustee on behalf of the Bondholders will enter 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 is herein referred to as the “**Intercreditor Agreement**”).

Under the Intercreditor Agreement, the secured parties named therein (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 of the Secured Parties as further described in the Intercreditor Agreement (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.

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:

- (i) 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;
- (ii) second, to the ratable payment of accrued but unpaid interest on the Secured Obligations;
- (iii) third, to the ratable payment of unpaid principal of the Secured Obligations;
- (iv) fourth, to any make-whole premium or any other premium payable pursuant to the secured party documents;
- (v) fifth, to the ratable payment of all other Secured Obligations, until all Secured Obligations shall have been paid in full; and
- (vi) 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.

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:

- (i) upon repayment in full of the Bonds;

- (ii) 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 these Conditions and the Trust Deed;
- (iii) 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;
- (iv) 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
- (v) 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 these Conditions and the Trust Deed.

Subject to the Intercreditor Agreement, the Intercreditor/Collateral Agent will initially act as intercreditor/collateral agent under the Intercreditor Agreement and the Security Documents in respect of the Security over the Collateral. The Intercreditor/Collateral Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Intercreditor Agreement and the Security Documents as are set forth in the Indenture, the Intercreditor Agreement and the Security Documents. Under certain circumstances, the Intercreditor/Collateral Agent may have obligations under the Intercreditor Agreement and the Security Documents that are in conflict with the interests of the Bondholders. The Intercreditor/Collateral Agent 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 Bondholders unless such Bondholders have offered to the Intercreditor/Collateral Agent indemnity and/or security satisfactory to the Intercreditor/Collateral Agent against any loss, liability or expense. Furthermore, each holder of the Bonds, by accepting the Bonds will agree, for the benefit of the Intercreditor/Collateral Agent that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Intercreditor/Collateral Agent in respect of such risks.

#### **D. Permitted *Pari Passu* Indebtedness**

On or after the Issue Date and subject to the Trust Deed, the Company and each Subsidiary Guarantor Pledgor may create Further Security Interests on the Collateral *pari passu* with the Security for the benefit of the Trustee and the Bondholders to secure indebtedness of the Company (including any further Bonds issued in accordance with Condition 16 and consolidated and forming a single series therewith) 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 holders of such indebtedness (other than any further Bonds issued in accordance with Condition 16 and consolidated and forming a single series therewith) (or their representative, trustee or agent) become party to the Intercreditor Agreement referred to below; (2) 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 these Conditions, the Trust Deed and the Security Documents; and (3) the Company and such Subsidiary Guarantor Pledgor deliver

to the Trustee an 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 substantially as set forth in the Security Documents, and an opinion of legal counsel of recognized standing in relation to the Security Documents in form and substance reasonably satisfactory to the Trustee. The Trustee will be permitted and authorized, without the consent of the Bondholders, 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 above to hold the Collateral on behalf of the Bondholders and the holders of Permitted *Pari passu* Secured Indebtedness).

For the purposes of this Condition 4(D):

**"Pari Passu Subsidiary Guarantee"** means a guarantee by any Subsidiary Guarantor of indebtedness of the Issuer, the Company, and any Subsidiary Guarantor (including in respect of any further Bonds issued under Condition 16); provided that such guarantee ranks *pari passu* with the Subsidiary Guarantee of such Subsidiary Guarantor.

**"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.

## 5. Interest

The Bonds do not bear interest unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, such unpaid principal shall bear interest at the rate of 3.00 per cent. per annum (both before and after judgment) ("**Default Interest**") until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder and (b) the day seven days after the Trustee or the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated in respect of any Bond, the amount of interest payable calculated on the basis of the rate of interest specified above and the relevant day-count fraction being a 360-day year of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.



## 6. Conversion

### A. Conversion Right

- (i) *Conversion Period*: Subject as hereinafter provided, each Bondholder has the right to convert the Bonds held by it into Shares (as defined in Condition 6(A)(v)) at any time during the Conversion Period referred to below.

The right of a Bondholder to convert any Bond held by it into Shares is called the "**Conversion Right**". Subject to and upon compliance with the provisions of this Condition, the Conversion Right attaching to any Bond may be exercised in respect of such Bond, at the option of the holder thereof, at any time on or after March 11, 2018 up to (a) the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date falling 10 Trading Days prior to the Maturity Date (but, except as provided in Condition 6(A)(iv), in no event thereafter) or (b) if such Bond shall have been called for redemption before the Maturity Date (as defined in Condition 8(A)), then up to the close of business (at the place aforesaid) on a date no later than seven business days (in the place aforesaid) prior to the date fixed for redemption thereof or (c) if notice requiring redemption has been given by the holder of such Bond pursuant to Condition 8(D), up to the close of business (at the place aforesaid) on the business day (in the place aforesaid) prior to the giving of such notice (the "**Conversion Period**").

The number of Shares to be issued on conversion of a Bond will be determined by dividing the principal amount of the Bond to be converted by the Conversion Price in effect on the Conversion Date (both as hereinafter defined). A Conversion Right may only be exercised in respect of one or more Bonds. If more than one Bond held by the same holder is converted at any one time by such holder, the number of Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted.

- (ii) *Fractions of Shares*: Fractions of Shares will not be issued on conversion and no cash adjustments will be made in respect thereof. However, if the Conversion Right in respect of more than one Bond is exercised at any one time such that the Shares to be issued on conversion are to be registered in the same name, the number of such Shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of Shares. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Shares by operation of law or otherwise occurring after January 16, 2018 which reduces the number of Shares outstanding, the Issuer will upon conversion of Bonds pay in cash in Hong Kong dollars a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Conversion Rights, aggregated as provided in Condition 6(A)(i), as corresponds to any fraction of a Share not issued as a result of such consolidation or re-classification aforesaid if such sum exceeds HK\$100.00. Any such sum shall be due and payable on the date the Shares are delivered pursuant to Condition 6(B)(iii).
- (iii) *Conversion Price*: The price at which Shares will be issued upon conversion (the "**Conversion Price**") will initially be HK\$20.556 per Share but will be subject to adjustment in the manner provided in Condition 6(C).
- (iv) *Revival and/or survival after Default*: Notwithstanding the provisions of Condition 6(A)(i), if (a) the Issuer shall on the date fixed for redemption thereof default in making payment in



full in respect of any Bond which shall have been called for redemption, (b) any Bond has become due and payable prior to the Maturity Date in accordance with Condition 10 or (c) any Bond is not redeemed on the Maturity Date in accordance with Condition 8(A), the Conversion Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Bondholders in accordance with Condition 18) and, notwithstanding the provisions of Condition 6(A)(i), any Bond in respect of which the Certificate and the Conversion Notice (as defined below) are deposited for conversion prior to such date shall be converted on the relevant Conversion Date (as defined below) notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Agent or the Trustee before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.

- (v) *Meaning of "Shares"*: As used in these Conditions, the expression "**Shares**" means ordinary shares of par value HK\$0.10 each in the share capital of the Company or shares of any class or classes resulting from any subdivision, consolidation or re-classification of such ordinary shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Company.

#### **B. Conversion Procedure**

- (i) *Conversion Notice*: To exercise the Conversion Right attaching to any Bond, the holder thereof must complete, execute and deposit (at his own expense) at the specified office of any Conversion Agent during office hours between 9:00 am and 3:00 pm on any business day (at the place where the Certificate evidencing such Bond is deposited for conversion) a notice of conversion (a "**Conversion Notice**") in duplicate in the form (for the time being current) obtainable from the specified office of each Agent, together with the relevant Certificate in respect of such Bond and any amounts required to be paid by the Bondholder under Condition 6(B)(ii).

The conversion date in respect of a Bond (the "**Conversion Date**") must fall at a time when the Conversion Right attaching to that Bond is expressed in these Conditions to be exercisable (subject to the provisions of Condition 6(A)(iv)) and will be deemed to be the Stock Exchange Business Day (as defined below) immediately following the later of the date of the surrender of the Certificate in respect of such Bond and delivery of such Conversion Notice (if they are not surrendered and delivered on the same day) and, if applicable, the date of making any payment or giving any indemnity under these Conditions in connection with the exercise of such Conversion Right. A Conversion Notice once delivered shall be irrevocable unless the Company and Issuer consent in writing to its withdrawal. "**Stock Exchange Business Day**" means any day (other than a Saturday or Sunday) on which The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") or the Alternative Stock Exchange (as defined in Condition 6(C)), as the case may be, is open for trading of securities.

- (ii) *Stamp Duty etc.*: A Bondholder delivering a Certificate in respect of a Bond for conversion must pay to the relevant authorities any taxes and capital, stamp, issue and registration duties arising on conversion (other than any taxes or capital or stamp duties payable in the

Cayman Islands, the British Virgin Islands, Hong Kong or any other relevant jurisdiction in connection with the creation, issue, offering or sale of the Bonds or the execution or delivery of the Trust Deed, the Intercreditor Agreement, the Security Documents, and the Agency Agreement and, if relevant, in the place of the Alternative Stock Exchange, by the Company in respect of the allotment and issue of Shares and listing of the Shares on the Hong Kong Stock Exchange or the Alternative Stock Exchange on conversion) (the "Taxes") and such Bondholder must pay all, if any, Taxes arising by reference to any disposal or deemed disposal of a Bond in connection with such conversion but shall not be responsible for any other expenses arising on the issue of Shares on conversion of Bonds. Neither the Trustee nor the Agent is under any obligation to determine whether a Bondholder is liable to pay any Taxes including capital, stamp, issue, registration or similar taxes and duties or the amounts payable (if any) in connection with this Condition 6(B)(ii).

- (iii) *Registration*: As soon as practicable, and in any event not later than five Stock Exchange Business Days after the Conversion Date in respect of any Bond, the Company will in the case of Bonds converted on exercise of the Conversion Right and in respect of which a duly completed Conversion Notice has been delivered and the relevant Certificate and amounts payable by the relevant Bondholder deposited or paid as required by sub-paragraphs (i) and (ii) above, register the person or persons designated for such purpose in the Conversion Notice as holder(s) of the relevant number of Shares in the Company's share register and will, if the Bondholder has also requested in the Conversion Notice and to the extent permitted under the rules and procedures of the Central Clearing and Settlement System of Hong Kong (the "CCASS") effective from time to time, take all necessary actions to procure that Shares are delivered through the CCASS for so long as the Shares are listed on the Hong Kong Stock Exchange; or will make such share certificate or certificates registered in the name of such person or persons available for collection at the office of the Company's share registrar in Hong Kong (currently Tricor Investor Services Limited at Level 22, Hopewell Center, 183 Queen's Road East, Hong Kong) as may from time to time be notified to Bondholders in accordance with Condition 18 or, if so requested in the relevant Conversion Notice, will cause its share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such share certificate or certificates are sent) such share certificate or certificates to the person and at the place specified in the Conversion Notice, together (in either case) with any cash required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the transfer thereof. In all cases a single certificate will be issued in respect of all Shares issued on conversion of Bonds subject to the same Conversion Notice and which are to be registered in the same name.

If the Conversion Date in relation to any Bond shall be on or after the record date for any issue, distribution, grant, offer or other event that gives rise to the adjustment of the Conversion Price pursuant to Condition 6(C), but before the relevant adjustment becomes effective under Condition 6(C), upon the relevant adjustment becoming effective the Company shall procure the issue to the converting Bondholder (or in accordance with the instructions contained in the Conversion Notice (subject to applicable exchange control or other laws or other regulations)) of such additional number of Shares as, together with the Shares issued or to be issued on conversion of the relevant Bond, is equal to the number of Shares which would have been required to be issued on conversion of such Bond if the relevant adjustment to the Conversion Price had been made and become effective on or immediately after the relevant record date.

The person or persons designated in the Conversion Notice will become the holder of record of the number of Shares issuable upon conversion with effect from the date he is or they are registered as such in the Company's register of members (the "**Registration Date**"). The Shares issued upon conversion of the Bonds will be fully paid and will in all respects rank *pari passu* with the Shares in issue on the relevant Registration Date. Save as set out in these Conditions, a holder of Shares issued on conversion of Bonds shall not be entitled to any rights the record date for which precedes the relevant Registration Date.

If the record date for the payment of any dividend or other distribution in respect of the Shares is on or after the Conversion Date in respect of any Bond, but before the relevant Registration Date (disregarding any retroactive adjustment of the Conversion Price referred to in this Condition 6(B) prior to the time such retroactive adjustment shall have become effective), the Issuer (failing whom the Company) will pay to the converting Bondholder or his designee the an amount in Hong Kong dollars (the "**Equivalent Amount**") equal to the Fair Market Value (as defined below) of any such dividend or other distribution to which such Bondholder would have been entitled had he on that record date been such a shareholder of record and will make such payment to such Bondholder at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter.

Neither the Trustee nor the Agents shall be under any duty to determine, calculate or verify the Equivalent Amount payable under this Condition 6(B) and will not be responsible to Bondholders for any loss arising from any failure by it to do so.

### **C. Adjustments to Conversion Price**

The Conversion Price will be subject to adjustment in the following events:

- (1) *Consolidation, Subdivision, Redesignation or Reclassification*: If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision, redesignation or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

Where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date such consolidation, subdivision, redesignation or reclassification takes effect.

- (2) *Capitalization of Profits or Reserves*:

- (i) If and whenever the Company shall issue any Shares credited as fully paid to the holders of Shares (the "**Shareholders**") by way of capitalization of profits or reserves (including any share premium account) including Shares paid up out of distributable profits or reserves and/

or share premium account (except any Scrip Dividend (as defined below)) and which would not have constituted a Capital Distribution (as defined below), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

Where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

- (ii) In the case of an issue of Shares by way of a Scrip Dividend where the aggregate value of such Shares issued by way of Scrip Dividend as determined by reference to the Current Market Price (as defined below) per Share exceeds the amount of the Relevant Cash Dividend (as defined below) or the relevant part thereof and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A is the aggregate nominal amount of the issued Shares immediately before such issue;

B is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend for which Shareholders have elected to receive as Shares issued by way of Scrip Dividend and (ii) the denominator is the aggregate value of such Shares issued by way of Scrip Dividend as determined by reference to the Current Market Price per Share; and

C is the aggregate nominal amount of Shares issued by way of such Scrip Dividend;

Such adjustment shall become effective on the date of issue of such Shares issued by way of Scrip Dividend or if a record date is fixed therefor, immediately after such record date.

- (3) *Capital Distributions:* If and whenever the Company shall pay or make any Capital Distribution to the Shareholders (except to the extent that the Conversion Price falls to be adjusted under Condition 6(C)(2) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Capital Distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price per Share on the date on which the Capital Distribution is first publicly announced; and
- B is the Fair Market Value (as defined below) per Share.

Such adjustment shall become effective on the date that such Capital Distribution is actually made or paid or if a record date is fixed therefor, immediately after such record date. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of “Fair Market Value”) be determined as at the date on which the Capital Distribution is first publicly announced or, if later, the first date on which the Fair Market Value of the relevant Capital Distribution is capable of being determined as provided herein.

In making any calculation pursuant to this Condition 6(C)(3), such adjustments (if any) shall be made as an Independent Financial Advisor may consider appropriate to reflect (a) any consolidation or subdivision of the Shares, (b) issues of Shares by way of capitalization of profits or reserves, or any like or similar event, (c) the modification of any rights to dividends of Shares or (d) any change in the fiscal year of the Company.

- (4) *Rights Issues of Shares or Options over Shares:* If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares, in each case at less than 95 per cent. of the Current Market Price per Share on the date of the first public announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the aggregate number of Shares in issue immediately before such announcement;
- B is the number of Shares which the aggregate consideration receivable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Share; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be.

- (5) *Rights Issues of Other Securities:* If and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class by way of rights or

grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price per Share on the date on which such issue or grant is publicly announced; and
- B is the Fair Market Value per Share on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of "Fair Market Value") be determined as at the date on which the terms of such issue or grant are publicly announced, or if later, the first date on which the Fair Market Value of the aggregate rights attributable to the Shares in relation to such issue or grant is capable of being determined as provided herein.

- (6) *Issues at less than Current Market Price:* If and whenever the Company shall issue (otherwise than as mentioned in Condition 6(C)(4) above) any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or shall issue or grant (otherwise than as mentioned in Condition 6(C)(4) above) any options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares, in each case at a price per Share which is less than 95 per cent. of the Current Market Price on the date of the first public announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

Where:

- A is the aggregate number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares;
- B is the number of Shares which the aggregate consideration receivable for the issue of the maximum number of Shares to be issued or the exercise of such options, warrants or other rights would purchase at such Current Market Price per Share; and
- C is the aggregate number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Company of options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue of such options, warrants or other rights.

- (7) *Other Issues at less than Current Market Price:* Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this Condition 6(C)(7), if and whenever the Company or any of its Subsidiaries (otherwise than as mentioned in Conditions 6(C)(4), 6(C)(5) or 6(C)(6)) or (at the direction or request of or pursuant to any arrangements with the Company or any of its Subsidiaries) any other company, person or entity, shall issue any securities (other than the Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 95 per cent. of the Current Market Price on the date of the first public announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the aggregate number of Shares in issue immediately before such issue;
- B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and
- C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate on the issue date of such securities.

Such adjustment shall become effective on the date of issue of such securities

- (8) *Modification of Rights of Conversion etc.:* If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in Condition 6(C)(7) (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is reduced and is less than the Current Market Price on the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$



Where:

- A is the aggregate number of Shares in issue immediately before such modification;
- B is the maximum number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and
- C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Financial Advisor considers appropriate (if at all) for any previous adjustment under this Condition 6(C)(8) or Condition 6(C)(7).

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

- (9) *Other Offers to Shareholders:* If and whenever the Company or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with the Company or any of its Subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Condition 6(C)(4), Condition 6(C)(5), Condition 6(C)(6) or Condition 6(C)(7)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue, sale or distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price per Share on the date on which such issue, sale or distribution is publicly announced; and
- B is the Fair Market Value of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue, sale or distribution of the securities. For the purpose of the above, Fair Market Value shall (subject as provided in the definition of "**Fair Market Value**") be determined as at the date on which the terms of such issue, sale or distribution of securities are first publicly announced or, if later, the first date on which the Fair Market Value of the portion of the aggregate rights attributable to the Shares is capable of being determined as provided herein.

- (10) *Other Events:* If the Company determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this Condition 6, the Company shall, at its own expense, consult an Independent Financial Advisor to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination by the Independent Financial Advisor such adjustment (if any) shall be

made and shall take effect in accordance with such determination. Notwithstanding the foregoing, the per Share value of any such modification shall not exceed the per Share value of the dilution in the Shareholders' interest in the Issuer's equity caused by such events or circumstances.

In this Condition 6(C), where the events or circumstances giving rise to any adjustment pursuant to any of the above adjustments under this Condition 6(C) have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 6 as may be advised by the Independent Financial Advisor to be in its opinion appropriate to give the intended result.

For the purposes of these Conditions:

**"Alternative Stock Exchange"** means at any time, in the case of the Shares, if they are not at that time listed and traded on the Hong Kong Stock Exchange, such other internationally recognized stock exchange which is the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in.

**"Capital Distribution"** means (i) the aggregate distribution of assets in specie by the Company for any financial period whenever paid or made and however (and for these purposes a distribution of assets in specie includes, without limitation, an issue of Shares or other securities credited as fully or partly paid by way of capitalization of reserves, but excludes any Shares credited as fully paid to the extent an adjustment to the Conversion Price is made in respect thereof under Condition 6(C)(2)(i) and a Scrip Dividend adjusted for under Condition 6(C)(2)(ii)); and (ii) the aggregate cash dividend or distribution on a gross basis (including, without limitation, the relevant cash amount of a Scrip Dividend) of any kind by the Company for any financial period (whenever paid and however described) unless it comprises a purchase or redemption of Shares by or on behalf of the Company (or a purchase of Shares by or on behalf of a Subsidiary of the Company), where the weighted average price or consideration (before expenses) on any one day in respect of such purchases does not exceed the Current Market Price of the Shares by more than five per cent. either (1) on that date, or (2) where an announcement has been made of the intention to purchase Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement and, if in the case of either (1) or (2), the relevant day is not a Trading Day, the immediately preceding Trading Day;

**"Closing Price"** of the Shares for any Trading Day shall be the price published in the Daily Quotation Sheet published by the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange for such day.

**"Current Market Price"** means, in respect of a Share on a particular date, the average of the Closing Prices for one Share (being a Share carrying full entitlement to dividend) for the five consecutive Trading Days ending on the Trading Day immediately preceding such date, provided that if at any time during the said five Trading Day period the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:

- (i) if the Shares to be issued in such circumstances do not rank for the dividend in question, the Closing Price on the dates on which the Shares shall have been quoted cum-dividend shall for

the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend per Share; or

- (ii) if the Shares to be issued in such circumstances rank for the dividend in question, the Closing Price on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by the Fair Market Value of that dividend per Share;

and provided further that if the Shares on each of the said five Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the Closing Price on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend per Share.

**“Fair Market Value”** means, with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Financial Advisor on the basis of commonly accepted market valuation method and taking into account such factors as it considers appropriate, provided that an Independent Financial Advisor will not be required to determine the fair market value where (i) the Capital Distribution is paid in cash, in which case the fair market value of such cash Capital Distribution per Share shall be the amount of such cash Capital Distribution per Share and (ii) any other amounts are paid in cash, in which case the fair market value of such cash amount shall be the amount of cash, and (iii) options, warrants or other rights or securities are or will upon issuance be publicly traded in a market of adequate liquidity (as determined by such Independent Financial Advisor), the fair market value of such options, warrants or other rights or securities shall equal the arithmetic mean of the daily closing price of such options, warrants or other rights or securities during the period of five trading days on the relevant market commencing on the first such trading day such options, warrants or other rights or securities are publicly traded. Such amounts, if expressed in a currency other than HK dollars shall be translated into HK dollars at the Prevailing Rate on such date. In addition, in the case of proviso (i) and (ii) above, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax and disregarding any associated tax credit.

**“Independent Financial Advisor”** means a reputable independent financial advisor or financial institution with appropriate expertise selected by the Issuer and notified in writing to the Trustee. If the Issuer fails to select an Independent Financial Advisor when required by these Conditions, the Trustee may (at its absolute discretion) (but shall not be obliged to) select the Independent Financial Advisor. The Trustee shall not be responsible for or under any obligation to appoint an Independent Financial Advisor and shall have no responsibility or liability for verifying any calculation, determination, certification, advice or opinion made, given or reached by it.

**“Prevailing Rate”** means, in respect of any currency on any day, the bid exchange rate between the relevant currencies prevailing as at or about 12:00 noon (Hong Kong time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12:00 noon (Hong Kong time) on the immediately preceding day on which such rate can be so determined.

**“Relevant Cash Dividend”** means any cash dividend specifically declared by the Company.

**“Relevant Page”** means the relevant Bloomberg BFIX page (or its successor page) or, if there is no such page, on the relevant Reuters HKDFIX page (or its successor page) or such other information service provider that displays the relevant information.

**“Scrip Dividend”** means any Shares issued in lieu of the whole or any part of any Relevant Cash Dividend, being a dividend which the Shareholders concerned would or could otherwise have received and which would not have constituted a Capital Distribution (and for the avoidance of doubt, no adjustment is to be made under Condition 6(C)(3) in respect of the amount by which the Current Market Price of the Shares exceeds the Relevant Cash Dividend or the relevant part thereof but without prejudice to any adjustment required in such circumstances to be made under Condition 6(C)(2)).

Any reference to a **“Subsidiary”** of any person is to any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under Cayman Islands or Hong Kong law, regulations or generally accepted accounting principles from time to time, should have its accounts consolidated with those of that person.

**“Trading Day”** means a day when the Hong Kong Stock Exchange or, as the case may be an Alternative Stock Exchange, is open for the business of dealing in securities, provided that if no Closing Price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not have existed when ascertaining any period of dealing days.

On any adjustment, the relevant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than 1 per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has not been rounded down, shall be carried forward and taken into account in any subsequent adjustment. Notice of any adjustment shall be given to Bondholders in accordance with Condition 18 as soon as practicable after the determination thereof.

The Conversion Price may not be reduced so that, on the conversion of any Bond, Shares would be issued at a discount to their par value or Shares would be required to be issued in any other circumstances not permitted by applicable laws then in force in the Cayman Islands.

If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to how an adjustment to the Conversion Price under Conditions 6(C) should be made, and following consultation between the Issuer, the Company and an Independent Financial Advisor, a written opinion of such Independent Financial Advisor in respect thereof shall be conclusive and binding on the Issuer, the Company, the Bondholders and the Trustee, save in the case of manifest error. Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of an Independent Financial Advisor, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such Independent Financial Advisor to be in its opinion appropriate in order to give such intended result.

No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation of the Shares as referred to in Condition 6(C)(1) above.

No adjustment will be made to the Conversion Price when Shares, options or other securities are issued, offered, exercised, allotted, appropriated, modified or granted to or for the benefit of employees (including directors) of the Company or any of its Subsidiaries pursuant to any Employee Share Scheme (as defined in the Trust Deed) (and which Employee Share Scheme is in compliance with the Listing Rules or, if applicable, the listing rules of an Alternative Stock Exchange) provided that such issues do not amount to, or entitle such persons to receive shares in excess of 3 per cent. of the average number of issued and outstanding shares during the 12 months period up to the grant of such Shares, options or other securities.

Any references herein to the date on which a consideration is “fixed” shall, where the consideration is originally expressed by reference to a formula which cannot be expressed as an actual cash amount until a later date, be construed as a reference to the first day on which such actual cash amount can be ascertained.

References to any issue or offer or grant to Shareholders “as a class” or “by way of rights” shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders, other than Shareholders by reason of the laws of any territory or requirements of any recognized regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price and will not be responsible to Bondholders for any loss arising from any failure by it to do so, it shall be entitled to rely without liability to any Bondholder or any report or certificate of a director of the Company in connection therewith.

#### **D. Undertakings**

Each of the Issuer and the Company undertakes that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution (as defined in the Trust Deed):

- (i) it will use its best endeavors (a) to maintain a listing for all the issued Shares on the Hong Kong Stock Exchange, and (b) to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights attaching to the Bonds on the Hong Kong Stock Exchange, and if the Company is unable to obtain or maintain such listing, to use its best endeavors to obtain and maintain a listing for all the issued Shares on an Alternative Stock Exchange as from time to time selected by the Company and will forthwith give notice to the Bondholders in accordance with Condition 18 below of the listing or delisting of the Shares (as a class) by any such stock exchange;
- (ii) it will pay the expenses of the issue of, and all expenses of obtaining a listing for, Shares arising on conversion of the Bonds;
- (iii) it will not make any reduction of its ordinary share capital or any uncalled liability in respect thereof or of any share premium account or capital redemption reserve fund, except where the reduction is permitted by applicable law and results in (or would, but for the provisions of Condition 6(C) relating to rounding or the carry forward of adjustments, result in) an adjustment to the Conversion Price or is otherwise taken into account for the purposes of determining whether such an adjustment should be made;

- (iv) it will use its best endeavors to maintain the listing of the Bonds on the Singapore Exchange Securities Trading Limited (the “**SGX**”) and if the Company is unable to maintain such listing, to use its best endeavors to obtain and maintain a listing on another internationally recognized stock exchange and will forthwith give notice to the Bondholders in accordance with Condition 18 below of the listing or delisting of the Bonds by any such stock exchange;
- (v) it will reserve, free from any other pre-emptive or other similar rights, out of its authorized but unissued ordinary share capital the full number of Shares liable to be issued on conversion of the Bonds from time to time remaining outstanding and shall ensure that all Shares delivered on conversion of the Bonds will be duly and validly issued as fully-paid; and
- (vi) it will not make any offer, issue or distribute or take any action the effect of which would be to reduce the Conversion Price below the par value of the Shares of the Company, provided always that the Company shall not be prohibited from purchasing its Shares to the extent permitted by law.

The Company has also given certain other undertakings in the Trust Deed for the protection of the Conversion Rights.

#### **E. Notice of Change in Conversion Price**

The Issuer and the Company shall give notice to the Bondholders and the Trustee in accordance with Condition 18 of any change in the Conversion Price. Any such notice relating to a change in the Conversion Price shall set forth reasonable details of the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment. For the avoidance of doubt, nothing in this Condition 6(E) shall require the Company to disclose any information which it is not legally permissible to disclose.

Neither the Trustee nor the Agents shall be under any duty to determine, calculate or verify the adjusted Conversion Price and will not be responsible to Bondholders for any loss arising from any failure by it to do so.

### **7. Payments**

#### **A. Principal, interest and premium**

Payment of principal, premium and interest (if any) and any other amount due will be made by transfer to the registered account of the Bondholder. Payment of principal and premium will only be made after surrender of the relevant Certificate at the specified office of any of the Agents.

References in these Conditions, the Trust Deed and the Agency Agreement to principal in respect of any Bond shall, where the context so permits, be deemed to include a reference to any premium payable thereon.

#### **B. Registered Accounts**

For the purposes of this Condition, a Bondholder’s registered account means the Hong Kong dollar account maintained by or on behalf of it with a bank in Hong Kong, details of which appear on the Register at the close of business on the second business day (as defined below) before the due date for payment (the “**Record Date**”), and a Bondholder’s registered address means its address appearing on the Register at that time.

### **C. Fiscal Laws**

All payments are subject in all cases to any applicable laws, regulations and directives and in the place of payment, but without prejudice to the provisions of Condition 9. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

### **D. Payment Initiation**

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a business day (as defined below), for value on the first following day which is a business day) will be initiated and, where payment is to be made by check, the check will be mailed (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder) on the due date for payment (or, if it is not a business day, the immediately following business day) or, in the case of a payment of principal, if later, on the business day on which the relevant Certificate is surrendered at the specified office of an Agent.

### **E. Delay In Payment**

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a business day, if the Bondholder is late in surrendering its Certificate (if required to do so) or if a check mailed in accordance with this Condition arrives after the due date for payment.

### **F. Business Day**

In this Condition 7, unless otherwise defined, “**business day**” means a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong and London and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered.

### **G. Partial Payment**

If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

### **H. Rounding**

When making payments to Bondholders, fractions of one Hong Kong cent will be rounded to the nearest Hong Kong cent (half a Hong Kong cent being rounded upwards).

## **8. Redemption, Purchase and Cancellation**

### **A. Maturity**

Unless previously redeemed, converted or purchased and canceled as provided herein, the Issuer will redeem each Bond at 100.75 per cent. of its principal amount on January 27, 2019 (the “**Maturity Date**”). The Issuer may not redeem the Bonds at its option prior to that date except as provided in Condition 8(B) or 8(C) below (but without prejudice to Condition 10).



### **B. Redemption at the Option of the Issuer**

On giving not less than 30 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Bondholders in accordance with Condition 18 and to the Trustee and Principal Agent (which notice shall be irrevocable), the Issuer may redeem all, but not some only, of the Bonds on the date (the "**Optional Redemption Date**") specified in the Optional Redemption Notice at the Early Redemption Amount as at such date, at any time if, prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancelations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Bonds originally issued (which shall for this purpose include any further bonds issued in accordance with Condition 16 and consolidated and forming a single series therewith).

### **C. Redemption for Taxation Reasons**

- (i) At any time the Issuer may, having given not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders in accordance with Condition 18, the Trustee and the Principal Agent (which notice shall be irrevocable) redeem all but not some only of the Bonds at the Early Redemption Amount as at such date (the "**Tax Redemption Date**") if the Issuer satisfies the Trustee immediately prior to the giving of the Tax Redemption Notice that (i) the Issuer (or if the Guarantees were called, the Company or any Subsidiary Guarantor) has or will become obliged to pay additional amounts as referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands (in the case of a payment by the Issuer) or the Cayman Islands or Hong Kong (in the case of a payment by the Company), the relevant jurisdiction of incorporation of each relevant Subsidiary Guarantor (in the case of a payment by any Subsidiary Guarantor) or, in each case, the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after January 16, 2018, and (ii) such obligation cannot be avoided by the Issuer (or the Company or the relevant Subsidiary Guarantor, as the case may be) taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Company or the relevant Subsidiary Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the publication of any Tax Redemption Notice pursuant to this paragraph, the Issuer shall deliver to the Trustee (a) a certificate signed by two directors of the Issuer (or the Company or the relevant Subsidiary Guarantor, as the case may be) stating that the obligation referred to in (i) above cannot be avoided by the Issuer (or the Company or the relevant Subsidiary Guarantor, as the case may be) taking reasonable measures available to it and (b) an opinion of independent legal or tax advisors of recognized standing to the effect that such change or amendment referred to in (i) above has occurred (irrespective of whether such amendment or change is then effective) and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence thereof in which event it shall be conclusive and binding on the Bondholders. Upon the expiry of any such notice, the Issuer will be bound to redeem the Bonds at a redemption price equal to the Early Redemption Amount as at such date.
- (ii) If the Issuer gives a Tax Redemption Notice pursuant to Condition 8(C)(i), each Bondholder will have the right to elect that his Bond(s) shall not be redeemed and that the provisions of

Condition 9 shall not apply in respect of any payment of principal or premium to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date, whereupon no additional amounts shall be payable by the Issuer in respect thereof pursuant to Condition 9 and payment of all amounts by the Issuer to such holder in respect of such Bond(s) shall be made subject to the deduction or withholding of any tax required to be deducted or withheld. To exercise a right pursuant to this Condition 8(C)(ii), the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of exercise, in the form for the time being current, obtainable from the specified office of any Paying Agent (the "**Tax Option Exercise Notice**") together with the Certificate evidencing the relevant Bond(s) on or before the day falling 10 days prior to the Tax Redemption Date.

#### ***D. Redemption for Delisting or Change of Control***

Following the occurrence of a Relevant Event (as defined below), the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of that holder's Bonds on the Relevant Event Redemption Date (as defined below) at a redemption price equal to the Early Redemption Amount as at such date. To exercise such right, the holder of the relevant Bond must complete, sign and deposit, at his own expense, at the specified office of any Paying Agent, a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (the "**Relevant Event Redemption Notice**") together with the Certificate evidencing the Bond(s) to be redeemed by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 18. The "**Relevant Event Redemption Date**" shall be the fourteenth day after the expiry of such period of 30 days as referred to above.

A Relevant Event Redemption Notice, once delivered, shall be irrevocable unless the Issuer consents to its withdrawal and the Issuer shall redeem the Bonds the subject of Relevant Event Redemption Notices delivered as aforesaid on the Relevant Event Redemption Date.

The Trustee shall not be required to take any steps to ascertain whether a Relevant Event or any event which could lead to the occurrence of a Relevant Event has occurred and will not be responsible or liable to Bondholders for any loss arising from any failure by it to do so.

The Issuer shall give notice to Bondholders in accordance with Condition 18 by not later than 14 days following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 8(D) and shall give brief details of the Relevant Event.

A "**Relevant Event**" occurs:

- (i) when the Shares cease to be listed or admitted to trading, or are suspended for a period equal to or exceeding 15 consecutive Trading Days, on the Hong Kong Stock Exchange (or if applicable, the Alternative Stock Exchange); or
- (ii) when there is a Change of Control.

For the purposes of this Condition 8(D):

A "**Change of Control**" means the occurrence of one or more of the following events:

- (i) the direct or indirect 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 other than one or more Permitted Holders;
- (ii) the Company consolidates with, or merges with or into, any Person (other than one or more Permitted Holders) 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 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;
- (iii) the Permitted Holders are collectively the beneficial owners of less than 30 per cent. of the total voting power of the Voting Stock of the Company;
- (iv) any Person or group is or becomes the beneficial owner, 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;
- (v) individuals who on the 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
- (vi) the adoption of a plan relating to the liquidation or dissolution of the Company.
- (vii) the Company ceasing to be the direct or indirect beneficial owners of 100 per cent. of the total voting power of the Voting Stock of the Issuer

"**Person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organization, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Company's board of directors or any other governing board and does not include the Company's wholly-owned direct or indirect Subsidiaries.

"**Permitted Holders**" means any or all of the following:

- (i) Mr. Yeung Kwok Keung and Ms. Yang Huiyan, collectively;
- (ii) any relevant affiliate of the Permitted Holders specified above; and
- (iii) 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 per cent. or more by one or more of the Permitted Holders specified above.

**“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.

#### **E. Early Redemption Amount**

The **“Early Redemption Amount”** in respect of each HK\$2,000,000 in principal amount of Bonds shall mean the amount which is determined to be the amount which represents for the Bondholder on the relevant date for determination of the Early Redemption Amount (the **“Determination Date”**) a gross yield to maturity of 0.75 per cent. per annum as determined and calculated in accordance with the following formula, rounded (if necessary) to two decimal places, with 0.005 being rounded upwards:

$$\text{Early Redemption Amount} = (\text{Previous Early Redemption Amount} \times (1 + r/2)^{d/p})$$

Where:

$$\text{Previous Early Redemption Amount} = \begin{cases} \text{if the Bonds are to be redeemed on or before July 30, 2018,} \\ \text{HK\$2,000,000, or if the Bonds are to be redeemed after} \\ \text{July 30, 2018, HK\$2,007,500} \end{cases}$$

$r = 0.75$  per cent. expressed as a fraction;

$d =$  the number of days from and including July 30, 2018 (or, if the Determination Date is on or before July 30, 2018, from and including the Issue Date) to, but excluding the Determination Date, calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed; and

$p = 180$ .

#### **F. Purchases**

The Issuer, the Company or any of their respective Subsidiaries may, subject to applicable laws and regulations, at any time and from time to time purchase Bonds at any price in the open market or otherwise.

#### **G. Cancellation**

All Bonds which are redeemed, converted or purchased by the Issuer, the Company or any of their respective Subsidiaries, will be canceled. Certificates in respect of all Bonds canceled will be forwarded to or to the order of the Registrar and such Bonds may not be reissued or resold.

#### **H. Redemption Notices**

All notices to Bondholders given by or on behalf of the Issuer pursuant to this Condition 8 will be given in accordance with Condition 18 and will specify (i) the Conversion Price as at the date of the relevant notice, (ii) the Conversion Period, (iii) the Closing Price of the Shares as at the latest practicable date prior to the publication of the notice, (iv) the applicable Early Redemption Amount (v) the date for redemption, (vi) the manner in which redemption will be effected, and (vii) the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the notice.

If more than one notice of redemption (which shall include any notice given by the Issuer pursuant to Condition 8(B) or 8(C) and any Relevant Event Redemption Notice or Put Exercise Notice is given by a Bondholder pursuant to Condition 8(D)), the first of such notices to be given shall prevail.

## **9. Taxation**

All payments made by or on behalf of the Issuer or, as the case may be, the Company, any Subsidiary Guarantor or Subsidiary Guarantor Pledgor under or in respect of the Bonds, the Guarantee, the Intercreditor Agreement, the Trust Deed or the Agency Agreement will be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Cayman Islands, the British Virgin Islands, Hong Kong, the relevant jurisdiction of incorporation of each relevant Subsidiary Guarantor, the PRC or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. In such event, the Issuer or, as the case may be, the Company, any Subsidiary Guarantor or Subsidiary Guarantor Pledgor will pay such additional amounts as will result in the receipt by the Bondholders of the net amounts after such deduction or withholding equal to the amounts which would otherwise have been receivable by them had no such deduction or withholding been required except that no such additional amount shall be payable in respect of any Bond:

- (i) to a holder (or to a third party on behalf of a holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the British Virgin Islands (in the case of a payment by the Issuer) (or in the case of payments made by the Company, the Cayman Islands or Hong Kong), the relevant jurisdiction of incorporation of each relevant Subsidiary Guarantor (in the case of a payment by any Subsidiary Guarantor) or, the PRC, otherwise than merely by holding the Bond or by the receipt of amounts in respect of the Bond; or
- (ii) (in the case of a payment of principal or premium) if the Certificate in respect of such Bond is surrendered more than 30 days after the relevant date except to the extent that the holder would have been entitled to such additional amount on surrendering the relevant Certificate for payment on the last day of such period of 30 days.

For the purposes hereof, “**relevant date**” means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Trustee or the Principal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders and checks despatched or payment made.

References in these Conditions to principal and premium shall be deemed also to refer to any additional amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

## **10. Events of Default**

### **A. Events of Default**

The Trustee at its sole discretion may, and if so requested in writing by the holders of not less than 25 per cent. in principal amount of the Bonds then outstanding or if so directed by an

Extraordinary Resolution of the Bondholders shall (subject to being indemnified and/or secured by the Bondholders to its satisfaction), give notice in writing to the Issuer and the Company that the Bonds are, and they shall accordingly thereby become, immediately due and repayable at the Early Redemption Amount at such date, together with any Default Interest (subject as provided below and without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 6) if:

- (i) a default is made in the payment of any principal or Early Redemption Amount due in respect of the Bonds for more than three days;
- (ii) any failure by the Company to deliver the Shares as and when the Shares are required to be delivered following conversion of Bonds and such failure continues for more than three days;
- (iii) the Issuer or, as the case may be, the Company, any Subsidiary Guarantor or Subsidiary Guarantor Pledgor does not perform or comply with one or more of its other obligations in the Bonds, the Trust Deed, the Intercreditor Agreement or any Security Document which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days or such longer period as the Trustee may permit after written notice of such default shall have been given to the Issuer or the Company by the Trustee;
- (iv) the Issuer, the Company or any of their Principal Subsidiaries (as defined below) is (or is, or could be, deemed by law or a court of applicable jurisdiction to be) insolvent or bankrupt or unable to pay its debts when due, stops, suspends or threatens to stop or suspend payment of all or, in the opinion of the Trustee, a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer, the Company or any of their Principal Subsidiaries;
- (v) (a) any other present or future indebtedness (whether actual or contingent) of the Issuer, the Company or any of their Group Entities for or in respect of moneys borrowed or raised becomes, or becomes capable of being declared, due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (b) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (c) the Issuer, the Company or any of their Group Entities fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (v) have occurred equals or exceeds US\$30 million or its equivalent in any other currency on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity;
- (vi) a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out on or against all or any, in the opinion of the Trustee,



material part of the property, assets or turnover of the Issuer, the Company or any of their Principal Subsidiaries and is not discharged or stayed within 30 days of having been so levied, enforced or sued out;

- (vii) an order is made or an effective resolution passed for the winding-up or dissolution, judicial management or administration of the Issuer, the Company or any of their Principal Subsidiaries (except for a members' voluntary solvent winding-up of a Principal Subsidiary), or the Issuer, the Company or any of their respective Principal Subsidiaries ceases or threatens to cease to carry on all or, in the opinion of the Trustee, substantially all of its business or operations except for the purpose of and followed by a reconstruction, amalgamation, reorganization, merger or consolidation (a) on terms approved by an Extraordinary Resolution of the Bondholders, or (b) in the case of any Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer, the Company or another of their respective Principal Subsidiaries;
- (viii) an encumbrancer takes possession or an administrative or other receiver, manager, administrator or other similar officer is appointed of the whole or, in the opinion of the Trustee, a material part of the property, assets or turnover of the Issuer, the Company or any of their respective Principal Subsidiaries (as the case may be) and is not discharged within 30 days;
- (ix) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalization of all or, in the opinion of the Trustee, a material part of the assets of the Issuer, the Company or any of their respective Principal Subsidiaries;
- (x) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, license, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Issuer, the Company, each Subsidiary Guarantor and each Subsidiary Guarantor Pledgor lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds, the Trust Deed, the Intercreditor Agreement, the Security Documents, and the Agency Agreement, (b) to ensure that those obligations are legally binding and enforceable against the Issuer or the Company and (c) to make the Bonds, the Trust Deed, the Intercreditor Agreement, the Security Documents and the Agency Agreement admissible in evidence in the courts of the Cayman Islands, the British Virgin Islands, Hong Kong or England or the relevant jurisdiction of incorporation of each relevant Subsidiary Guarantor or Subsidiary Guarantor Pledgor is not taken, fulfilled or done;
- (xi) it is or will become unlawful for the Issuer or, as the case may be, the Company, any Subsidiary Guarantor or Subsidiary Guarantor Pledgor to perform or comply with any one or more of its obligations under any of the Bonds, the Guarantee, the Intercreditor Agreement, the Security Documents, the Trust Deed or the Agency Agreement;
- (xii) except as permitted under the Trust Deed, any Guarantee becomes unenforceable or invalid or shall for any reason cease to be in full force and effect with respect to any Subsidiary Guarantor or the Company or is claimed to be unenforceable, invalid or not in full force and effect by any Subsidiary Guarantor or the Company or the Issuer;



- (xiii) except as permitted under the Trust Deed, any Security Document becomes unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by any Subsidiary Guarantor Pledgor or the Company or the Issuer;
- (xiv) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (iv), (vi), (vii), (viii) or (ix).

For the purposes of these Conditions:

**“Principal Subsidiary”** means any Subsidiary of the Issuer or the Company:

- (a) whose gross revenues or (in the case of a Subsidiary which has subsidiaries) consolidated gross revenues as shown by its latest audited profit and loss account exceeds 10 per cent. of the consolidated gross revenues as shown by the then latest published audited consolidated profit and loss account of the Issuer or the Company and their respective Subsidiaries;
- (b) whose profit before income tax (“**pre-tax profit**”) or (in the case of a Subsidiary which has subsidiaries) consolidated pre-tax profit as shown by its latest audited profit and loss account exceeds 10 per cent. of the consolidated pre-tax profit as shown by the then latest published audited consolidated profit and loss account of the Issuer or the Company and their respective Subsidiaries including, for the avoidance of doubt, the Issuer, the Company and their respective consolidated Group Entities’ share of profits of Group Entities not consolidated and of associated companies (including jointly controlled entities);
- (c) whose gross assets or (in the case of a Subsidiary which has subsidiaries) gross consolidated assets (as consolidated into the latest published audited consolidated balance sheet of the Issuer, the Company and their respective Subsidiaries) as shown by its latest audited balance sheet exceeds 10 per cent. of the gross consolidated assets of the Issuer, the Company and their respective Subsidiaries as shown by the then latest published audited consolidated balance sheet of the Issuer, the Company and their respective Subsidiaries; or
- (d) to which is transferred the whole or substantially the whole of the assets and undertaking of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary, provided that, in such a case, the Subsidiary so transferring its assets and undertaking shall thereupon cease to be a Principal Subsidiary.

In addition, any Subsidiary which is not itself a Principal Subsidiary shall nevertheless be treated as a Principal Subsidiary in respect of any of the events referred to in this Condition 10 if its gross revenues, pre-tax profit or gross assets (or consolidated gross revenues, consolidated pre-tax profit or gross consolidated assets in the case of a Subsidiary which has subsidiaries) when aggregated with the gross revenues, gross pre-tax profit or gross assets of each other Subsidiary which is not itself a Principal Subsidiary (or consolidated gross revenues, consolidated pre-tax profit or gross consolidated assets in the case of a Subsidiary which has subsidiaries) with respect to which any of the events referred to this Condition 10 has occurred during the preceding 12 months, exceeds 10 per cent. of the consolidated gross revenues, consolidated pre-tax profit or gross consolidated assets of the Issuer, the Company and their respective Subsidiaries.

A certificate by the directors of the Issuer or the Company (as applicable) that, in their opinion, a Subsidiary is or is not or was or was not or would or would not have been, pursuant to the paragraph above, treated as, at any particular time, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties concerned. The Trustee shall be entitled to rely on such certificate without any further investigation or liability. References to the audited profit and loss account and balance sheet of a Subsidiary which has subsidiaries shall be construed as references to the audited consolidated profit and loss account and consolidated balance sheet of such Subsidiary and its subsidiaries, if such are required by law to be produced, or if no such profit and loss account or balance sheet is required by law to be produced, to a pro forma profit and loss account or balance sheet, prepared for the purpose of such certificate. References to "gross revenues", "pre-tax profit", "gross assets", consolidated or non-consolidated, shall include references to equivalent items in the relevant accounts as extracted from the financial statements audited by an internationally recognized firm of accountants.

#### **11. Consolidation, Amalgamation or Merger**

Each of the Issuer and the Company will not consolidate with, amalgamate with, merge with or into, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its property and assets (as an entirety or substantially an entirety in one transaction or a series of related transactions) to any entity unless:

- (i) the entity (if other than the Issuer or the Company, as the case may be) formed by such amalgamation or consolidation or into which the Issuer or the Company, as the case may be, is merged or which acquired or leased such property and assets of the Issuer or the Company shall be a corporation organized and validly existing under the laws of its place of incorporation, and shall, by a deed supplemental to the Trust Deed and an agency agreement supplemental to the Agency Agreement and such other undertakings or documents as the Trustee may require, executed and delivered in form and content acceptable to the Trustee, expressly assume all of the obligations of the Issuer or the Company, as the case may be, in respect of all of the Bonds and under the Trust Deed and the Agency Agreement and indemnify each Bondholder against any tax, assessment or governmental charge payable by withholding or deduction thereafter imposed on such holder solely as a consequence of such consolidation, amalgamation, merger, sale, conveyance, transfer, lease or other disposal with respect to the payment of principal and premium on the Bonds;
- (ii) the terms of the supplemental Trust Deed referred to in paragraph (i) above will provide that (a) the holder of each Bond then outstanding will have the right (during the Conversion Period) to convert such Bond into the class and amount of shares and other securities and property receivable upon such consolidation, amalgamation, merger, sale, conveyance, transfer, lease or other disposal by a holder of the number of Shares which would have become liable to be issued upon conversion of such Bond immediately prior to such consolidation, amalgamation, merger, sale, conveyance, transfer, lease or other disposal (and such supplemental Trust Deed will provide for adjustments on terms as nearly equivalent as may be practicable to the adjustments provided for in Condition 6(C)), (b) the rights of Bondholders shall not be adversely affected as a result of such transaction and (c) that there shall be no right to exercise a redemption of the Bonds under Condition 8(C) as a result of any change in the domicile or place of incorporation of Issuer or the Company, as the case

may be, or of the successor entity not being incorporated in the Cayman Islands, the British Virgin Islands or Hong Kong and the provisions of Condition 9 shall also be supplemented or modified as the Trustee deems appropriate; and

(iii) immediately after giving effect to such transaction, no default or event of default (including an Event of Default) shall have occurred and be continuing.

If any two directors of the entity (if other than the Issuer or the Company, as the case may be) formed by such amalgamation or consolidation or into which Issuer or the Company, as the case may be, is merged or which acquired or leased such property and assets of the Issuer or the Company, as the case may be, certify that it will be solvent immediately after assuming all obligations of the Issuer or the Company, as the case may be, pursuant to this Condition 11, the Trustee need not have regard to such entity's financial condition, profits or prospects or compare them with those of the Issuer or the Company, as the case may be, .

The above provisions of this Condition 11 will apply, *mutatis mutandis*, to any subsequent consolidations, amalgamations, mergers, sales or transfers.

## **12. Prescription**

Claims in respect of amounts due in respect of the Bonds will become prescribed unless made within 10 years (in the case of principal or premium) and five years (in the case of interest) from the relevant date (as defined in Condition 9) in respect thereof.

## **13. Enforcement**

At any time after the Bonds have become due and repayable, the Trustee may, at its sole discretion and without further notice, take such proceedings against the Issuer, the Company, the Subsidiary Guarantors and/or the Subsidiary Guarantor Pledgors as it may think fit to enforce repayment of the Bonds and to enforce the provisions of the Trust Deed, the Intercreditor Agreement and the Security Documents (save that the Security may only be enforced in accordance with the provisions of the Intercreditor Agreement and the Security Documents) but it will not be bound to take any such proceedings unless (a) it shall have been so requested in writing by the holders of not less than 25 per cent. in principal amount of the Bonds then outstanding or shall have been so directed by an Extraordinary Resolution of the Bondholders and (b) it shall have been indemnified and/or secured to its satisfaction. No Bondholder will be entitled to proceed directly against the Issuer, the Company, the Subsidiary Guarantors and/or the Subsidiary Guarantor Pledgors unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

## **14. Meetings of Bondholders, Modification and Waiver**

### **A. Meetings**

The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of the Bondholders of a modification of the Bonds or the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Company or the Trustee and shall be convened by the Trustee if requested in writing to do so by Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding and subject to it being indemnified and/or

secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum at any such meeting for passing an Extraordinary Resolution of the Bondholders will be two or more persons holding or representing over 50 per cent. in principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting for a lack of quorum, two or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the due date for any payment in respect of the Bonds, (ii) to reduce or cancel the amount of principal or premium (including any Early Redemption Amount), the Equivalent Amount payable in respect of the Bonds or changing the method of calculation of the Early Redemption Amount, (iii) to change the denomination or currency of payment of the Bonds, (iv) to modify (except for a unilateral and unconditional reduction in the Conversion Price by the Company) or cancel the Conversion Rights (v) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution of the Bondholders or sign a resolution in writing or (vi) to modify or cancel the Guarantee, or to modify or discharge the Security (except as permitted under these Conditions, the Trust Deed, the Intercreditor Agreement and the Security Documents) in which case the necessary quorum for passing an Extraordinary Resolution of the Bondholders will be two or more persons holding or representing not less than 66 per cent., or at any adjourned such meeting (for a lack of quorum) not less than 33 per cent., in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution of the Bondholders passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting. The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of Bonds outstanding or by way of electronic consents through Euroclear Bank S.A./N.V and Clearstream Banking S.A. (in a form satisfactory to the Trustee) by or on behalf of holders of not less than 90 per cent. of the aggregate principal amount of the Bonds for the time being outstanding) shall be as valid and effective as a duly passed Extraordinary Resolution of the Bondholders.

#### **B. Modification and Waiver**

The Trustee may agree, without the consent of the Bondholders, to (i) any modification (except as mentioned in Condition 14(A) above) to, or the waiver or authorization of any breach or proposed breach of, the Bonds, the Agency Agreement, the Intercreditor Agreement, the Security Documents or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders or (ii) any modification to the Bonds, the Agency Agreement, the Intercreditor Agreement, the Security Documents or the Trust Deed which, in the Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver or authorization will be binding on the Bondholders and all future Bondholders and, unless the Trustee agrees otherwise, any such modifications will be notified by the Issuer or the Company to the Bondholders in accordance with Condition 18 as soon as practicable thereafter.

#### **C. Interests of Bondholders**

In connection with the exercise of its functions (including but not limited to those in relation to any proposed modification, authorization or waiver) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any

Bondholder be entitled to claim, from the Issuer, the Company or the Trustee, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders except to the extent provided for in Condition 9 and Condition 11 and/or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

*In the event of the passing of an Extraordinary Resolution of the Bondholders in accordance with Condition 14(A) or a modification, waiver or authorization in accordance with Condition 14(B), the Issuer or the Company will procure that the Bondholders be notified in accordance with Condition 18.*

#### **D. Certificates/Reports**

Any certificate or report of any expert or other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of these Conditions or the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts therein (and shall, in absence of manifest error, be conclusive and binding on all parties) notwithstanding that such certificate or report and/or engagement letter or other document entered into by the Trustee, the Issuer and/or the Company in connection therewith contains a monetary or other limit on the liability of the relevant expert or person in respect thereof.

#### **15. Replacement of Certificates**

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar or any Agent upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and such Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

#### **16. Further Issues**

The Issuer may from time to time, without the consent of the Bondholders, create and issue further Bonds having the same terms and conditions as the Bonds in all respects and so that such further issue shall be consolidated and form a single series with the Bonds. Such further Bonds may, with the consent of the Trustee, be constituted by a deed supplemental to the Trust Deed.

#### **17. Currency Indemnity**

##### **A. Currency of Account and Payment**

Hong Kong dollars (the “**Contractual Currency**”) is the sole currency of account and payment for all sums payable by the Issuer, the Company or any Subsidiary Guarantor under or in connection with the Bonds, the Trust Deed and the Guarantees, including damages.

##### **B. Extent of Discharge**

An amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, the Company or any Subsidiary Guarantor or otherwise), by the Trustee or any Bondholder in respect of any sum expressed to be due to it from the Issuer

will only discharge the Issuer, the Company or any Subsidiary Guarantor to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

### **C. Indemnity**

If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under the Bonds, the Trust Deed or the Guarantee, the Issuer, the Company and each Subsidiary Guarantor will indemnify the recipient against any loss sustained by it as a result. In any event, the Issuer, the Company and each Subsidiary Guarantor will indemnify the recipient against the cost of making any such purchase.

### **D. Indemnity Separate**

The indemnity in this Condition 17 constitutes a separate and independent obligation from the other obligations under the Bonds and the Trust Deed, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by the Trustee and/or any Bondholder and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under the Bonds and/or the Trust Deed or any other judgment or order.

## **18. Notices**

All notices to Bondholders shall be validly given if mailed to them at their respective addresses in the register of Bondholders maintained by the Registrar or published in a leading newspaper having general circulation in Asia (which is expected to be the *Asian Wall Street Journal*) and so long as the Bonds are listed on the SGX and if the rules of the SGX so require, published in a leading newspaper having general circulation in Hong Kong (which is expected to be *The Business Times*). Any such notice shall be deemed to have been given on the later of the date of such publication and the seventh day after being so mailed, as the case may be.

*So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System (as defined in the Global Certificate), notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions.*

## **19. Agents**

The names of the initial Agents and the Registrar and their specified offices are set out below. The Issuer and the Company reserve the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent or the Registrar and to appoint additional or other Agents or a replacement Registrar. The Issuer and the Company will at all times maintain (a) a Principal Agent and (b) a Registrar which will maintain the Register outside Hong Kong and the United Kingdom. Notice of any such termination or appointment, of any changes in the specified offices of any Agent or the Registrar and of any change in the identity of the Registrar or the Principal Agent will be given promptly by the Issuer or the Company to the Bondholders and in any event not less than 45 days' notice will be given.

## **20. Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer or the Company and any entity related to the Issuer or the Company (including any of their affiliates) without accounting for any profit.

## **21. Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Bonds or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from Act.

## **22. Governing Law and Submission to Jurisdiction**

### ***A. Governing Law***

The Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with English law.

### ***B. Jurisdiction***

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Bonds and/or the Trust Deed ("**Proceedings**") may be brought in such courts. Pursuant to the Trust Deed, each of the Issuer and the Company has irrevocably submitted to the jurisdiction of such courts.

### ***C. Agent for Service of Process***

Pursuant to the Trust Deed, each of the Issuer and the Company has irrevocably agreed to receive service of process in any Proceedings in Hong Kong based on any of the Bonds at the Company's business address in Hong Kong, currently at Suite 1702, 17/F Dina House, Ruttonjee Center 11 Duddell Street Central, Hong Kong. Such service shall be deemed completed on delivery to such agent (whether or not, it is forwarded to and received by the Company). If for any reason such agent ceases to be able to act as such or no longer has an address in Hong Kong, each of the Issuer and the Company irrevocably agrees to forthwith appoint a substitute process agent in Hong Kong and deliver to the Trustee a copy of the agent's acceptance of that appointment within 30 days of such cessation. Nothing shall affect the right to serve process in any manner permitted by law.

### ***D. Waiver of Immunity***

Each of the Issuer and the Company has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defense, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.



## **Description of the Global Certificate**

*The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the terms and conditions of the Bonds set out in this Offering Circular. Terms defined in the Conditions of the Bonds have the same meaning in the paragraphs below. The following is a summary of those provisions:*

### **Meetings**

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each integral currency unit of the currency of the Bonds for which the Global Certificate is issued.

### **Cancellation**

Cancellation of any Bond by the Issuer following its redemption, conversion or purchase by the Issuer will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

### **Trustee's Powers**

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

### **Conversion**

Subject to the requirements of Euroclear and Clearstream (or any alternative clearing system), the Conversion Right attaching to a Bond in respect of which the Global Certificate is issued may be exercised by the presentation thereof to or to the order of the Principal Agent of one or more conversion notices duly completed by or on behalf of a holder of a book-entry interest in such Bonds. Deposit of the Global Certificate with the Principal Agent together with the relevant conversion notice(s) shall not be required. The exercise of the Conversion Right shall be notified by the Principal Agent to the Registrar and the holder of the Global Certificate.

### **Payment**

Payments of principal and premium (if any) in respect of Bonds represented by the Global Certificate will be made without presentation or if no further payment falls to be made in respect of the Bonds, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose.

## **Notices**

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any alternative clearing system, notices to holders of the Bonds shall be given by delivery of the relevant notice to Euroclear or Clearstream or such alternative clearing system, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Conditions of the Bonds.

## **Bondholder's Redemption**

The Bondholder's redemption option in Condition 8(D) may be exercised by the holder of the Global Certificate giving notice to the Principal Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Conditions of the Bonds.

## **Redemption at the Option of the Issuer**

The option of the Issuer provided for in Conditions 8(B) and 8(C) shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the relevant Condition.

## **Exchange of Bonds Represented by Global Certificates**

Certificates in definitive form for individual holdings of Bonds will not be issued in exchange for interests in Bonds in respect of which the Global Certificate is issued, except if either Euroclear or Clearstream (or any alternative clearing system on behalf of which the Bonds evidenced by the Global Certificate may be held) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

## **Transfers**

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream (or any alternative clearing system) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any alternative clearing system) and their respective direct and indirect participants.

## Taxation

The following summary of certain Cayman Islands, BVI and Hong Kong tax consequences of the purchase, ownership and disposition of Bonds is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering circular, 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 Bonds 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 Bonds should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Bonds.

### 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 Bonds) or interest in respect of the Bonds.

### ***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 Bonds where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Bonds 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 Bonds 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, transfer (for so long as the register of holders of the Bonds is maintained outside Hong Kong) or conversion of a Bond.

No Hong Kong stamp duty will be chargeable upon the issue of the Shares. Hong Kong stamp duty is payable, however, on any purchase and sale of Shares for as long as the transfer thereof is required to be registered in Hong Kong. The duty is charged on each of the purchaser and the seller at the ad valorem rate of 0.1 per cent. of the consideration for, or (if greater) the value of, the Shares bought and sold. In other words, a total of 0.2 per cent. is currently payable on a typical sale and purchase transaction of Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK\$5. Where a sale or purchase of Shares registered on a Hong Kong share register is effected by a person who is not resident in Hong Kong and any stamp duty payable thereon is not paid, the relevant instrument of transfer (if any) is chargeable with such duty in default and the transferee is liable to pay such duty.

## **The PRC**

### ***Taxation on Interest***

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions whose “de facto management bodies” are within the territory of the PRC are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay enterprise income tax at the rate of 25% in respect of their income sourced from both within and outside China. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the “de facto management bodies” of the Issuer are within the territory of the PRC, the Issuer may be treated as a PRC tax resident enterprise for the purpose of the EIT Law and be subject to enterprise income tax at the rate of 25% on its income from sources both within and outside PRC.

The EIT Law, its implementation regulations impose withholding tax at the rate of 10%, or a lower rate if tax treaty benefits are available, on PRC-source income paid to a “non-resident enterprise” that does not have an establishment or place of business in China or that has an establishment or place of business in China but the relevant income is not effectively connected therewith. Pursuant to these provisions of the EIT Law, in the event the Issuer is considered a PRC resident enterprise by the PRC tax authorities in the future, interest payable to non-resident enterprise holders of the Bonds may be treated as income derived from sources within China and be subject to such PRC withholding tax. Further, in accordance with the Individual Income Tax Law of the PRC which took effect on September 1, 2011 and its implementation regulations which took effect on September 1, 2011, if the Issuer is considered a PRC tax resident enterprise, interest payable to non-resident individual holders of the Bonds may be treated as income derived from sources within China and be subject to a 20% individual income tax; accordingly, if the Issuer is treated as a PRC tax resident enterprise, the Issuer would be obliged to withhold such individual income tax on payments of interests to non-resident individual holders of the Bonds. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified holders of the Bonds.

As of the date of this Offering Circular, the Issuer has not been given notice or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. On that basis, non-resident enterprise holders of the Bonds will not be subject to income tax imposed by any governmental authority in the PRC in respect of the holding of the Bonds or any repayment of principal and payment of interest made thereon. However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future.

### ***Taxation on Capital Gains***

The EIT Law and its implementation regulations impose a tax at the rate of 10%, or a lower rate if tax treaty benefits are available, on income derived from sources within the PRC realized by a “non-resident enterprise” that does not have an establishment or place of business in China or that has an establishment or place of business in China but the relevant gain is not effectively connected therewith. The Individual Income Tax Law and its implementation regulations impose a tax at the rate of 20% on income derived from sources within the PRC realized by non-resident individuals. If the Issuer is considered a PRC resident enterprise by the PRC tax authorities in the

future, and if the capital gains realized by holders of the Bonds are treated as income derived from sources within China, such gains will be subject to PRC tax. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of tax, such lower rate may apply to qualified non-resident holders of the Bonds, if both the Issuer and the investors qualify for benefits under the applicable tax treaty.

***Stamp Duty***

No PRC stamp tax will be chargeable upon the issue or transfer of a Bond to the extent that the register of holders of the Bonds is maintained outside mainland China. The Issuer intends to maintain the register of holders of the Bonds outside mainland China.

## Description of the Shares

*The following is a description of the Shares, including summaries of material relevant provisions of the Company's Memorandum and Articles of Association and the Companies Law. These summaries do not purport to complete and are qualified in their entirety by reference to the full Memorandum and Articles of Association.*

### Meetings

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least twenty-one (21) clear days' notice in writing, and any other extraordinary general meeting shall be called by at least fourteen (14) clear days' notice (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five (95) per cent in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty (20) per cent in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.



## **Voting Rights (Generally and on a Poll) and Right to Demand a Poll**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorized representative shall have one vote and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange (as defined in the Articles) or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right or (v) if required by the rules of the Designated Stock Exchange (as defined in the Articles), by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

## **Variation of Rights of Existing Shares or Classes of Shares**

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum.

Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

## **Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share

to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognize any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

### **Share Repurchase**

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

### **Dividends and Other Methods of Distribution**

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such

dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be confiscated by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

### **Inspection of Corporate Records**

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

### **Protection of Minorities and Shareholders' Suits**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative

actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Cayman Islands court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Cayman Islands court shall direct.

Any shareholder of a company may petition the Cayman Islands court which may make a winding up order if the Cayman Islands court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Cayman Islands court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

## **Procedures on Liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of

members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

## Market price information

The Shares have been listed on the Hong Kong Stock Exchange since April 20, 2007. The table below sets forth the closing prices and the quarterly trading volume of the Shares on the Hong Kong Stock Exchange for the periods indicated:

	Closing Share Price			Total Volume (‘000)
	High	Low	End of Period (HK \$)	
2007				
Second Quarter	7.27	6.59	6.60	2,576,971
Third Quarter	13.76	6.48	13.22	3,910,546
Forth Quarter	13.24	8.83	9.02	2,016,297
2008				
First Quarter	8.95	5.80	6.71	1,199,644
Second Quarter	7.50	5.00	5.06	1,292,782
Third Quarter	5.10	2.30	2.42	969,044
Forth Quarter	2.57	1.17	1.90	3,716,882
2009				
First Quarter	2.14	1.45	2.05	1,963,430
Second Quarter	3.98	2.21	3.61	4,173,533
Third Quarter	3.85	2.78	2.80	2,250,184
Forth Quarter	3.31	2.82	2.89	1,031,912
2010				
First Quarter	3.05	2.44	2.79	634,033
Second Quarter	2.91	2.01	2.09	756,005
Third Quarter	2.65	2.10	2.53	692,173
Forth Quarter	3.40	2.48	2.98	876,135
2011				
First Quarter	3.44	2.92	3.40	715,993
Second Quarter	3.64	2.93	3.42	807,347
Third Quarter	4.07	2.09	2.18	1,437,440
Forth Quarter	3.31	1.96	2.91	1,001,053
2012				
First Quarter	3.68	2.76	2.98	2,821,754
Second Quarter	3.41	2.59	3.03	1,676,830
Third Quarter	3.34	2.66	3.02	1,405,060
Forth Quarter	4.06	2.91	4.06	1,534,282
2013				
First Quarter	4.51	3.49	3.88	1,842,159
Second Quarter	4.63	3.56	4.06	1,433,076
Third Quarter	5.20	3.78	4.96	1,455,188
Forth Quarter	5.71	4.67	4.68	1,416,331
2014				
First Quarter	4.74	2.85	3.24	2,202,021
Second Quarter	3.80	2.88	3.08	2,316,939
Third Quarter	3.97	2.93	2.93	2,886,757
Forth Quarter	3.25	2.85	3.10	2,257,611
2015				
First Quarter	3.38	2.90	3.13	2,210,861
Second Quarter	4.45	3.13	3.41	4,268,428
Third Quarter	3.39	2.56	2.79	1,479,656
Forth Quarter	3.18	2.84	3.18	1,060,947
2016				
First Quarter	3.52	2.83	3.08	1,344,268
Second Quarter	3.26	2.97	3.26	805,547
Third Quarter	4.30	3.16	4.09	1,604,266
Forth Quarter	4.51	3.87	4.34	1,405,213



	Closing Share Price			Total Volume
	High	Low	End of Period	(HK \$)
2017				('000)
First Quarter	7.18	4.20	6.99	1,973,940
Second Quarter	9.90	6.98	9.05	2,581,575
Third Quarter	14.24	8.90	12.42	3,277,287
Forth Quarter	15.28	11.92	14.90	2,640,694

Source: *Bloomberg*

## Dividends

Subject to the Cayman Companies Law and the Articles of Association of the Company, the Company in general meeting may declare dividends but no dividends shall exceed the amount recommended by the board of directors of the Company. The board of directors of the Company may from time to time pay such interim dividends to the Shareholders of the Company as may appear to the board of directors to be justified by the profits of the Company. No dividend shall be paid otherwise than out of the profits of the Company or with the sanction of an ordinary resolution, out of the share premium account or other fund or account authorized for this purpose in accordance with the Cayman Companies Law. No dividends shall carry interest.

The Company declared a total dividend of 17.33 HK¢ per share for the year ended December 31, 2012.

The Company declared a total dividend of 21.15 HK¢ per share for the year ended December 31, 2013.

The Company declared a total dividend of 18.7 HK¢ per share for the year ended December 31, 2014.

The Company declared a total dividend of 15.56 HK¢ per share for the year ended December 31, 2015.

The Company declared a total dividend of 19.61 HK¢ per share for the year ended December 31, 2016.

The Company declared an interim dividend of 17.75 HK¢ per share on November 6, 2017.

## Subscription and sale

The Issuer and the Company have entered into a subscription agreement with the Sole Bookrunner, pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to issue, the Company has agreed to guarantee, and the Sole Bookrunner has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds.

The Issuer and the Company has agreed in the Subscription Agreement that neither the Issuer, the Company, nor any of its Subsidiaries or affiliates over which it exercises management or voting control, nor any person acting on behalf of any of them will, for a period from the date of the Subscription Agreement up to 90 days after the date of this Offering Circular (both dates inclusive), without the prior written consent of the Sole Bookrunner, (a) issue, offer, sell, contract to sell, pledge, encumber or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in, any Shares or securities of the same class as the Bonds or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as them (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing; except for the Bonds and any New Shares issued pursuant to the conversion provisions of the Bonds;

The Subscription Agreement provides that each of the Issuer and the Company will jointly and severally indemnify the Sole Bookrunner against certain liabilities, including in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Sole Bookrunner are subject to certain conditions precedent, and entitles the Sole Bookrunner to terminate it in certain circumstances prior to payment being made to the Issuer.

### General

The Bonds are a new issue of securities with no established trading market. Application has been made for the listing of the Bonds on the SGX-ST. However, no assurance can be given as to the liquidity of any trading market for the Bonds.

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken that would, or is intended to, permit a public offering of the Bonds, or the possession or distribution of this Offering Circular or any amendment or supplement thereto or any offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

## **United States**

The Bonds, the Guarantees and the New Shares to be issued upon conversion of the Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Sole Bookrunner has represented and warranted that it has not offered or sold, and has agreed that it will not offer or sell, any Bonds except in accordance with Rule 903 of Regulation S under the Securities Act, and 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 Bonds, the Guarantees or the New Shares to be issued upon conversion of the Bonds. Terms used in this paragraph have the meanings given to them by Regulation S. The Sole Bookrunner has represented that it has not entered and agrees that it will not enter any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of the Bonds and the Guarantees, except with its affiliates or with the prior written consent of the Issuer.

## **Prohibition of Sales to EEA Retail Investors**

The Sole Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (a) 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 MiFID II; or
  - (ii) a customer within the meaning of IMD, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.
- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds.

## **United Kingdom**

The Sole Bookrunner has represented, warranted and agreed 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 FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer, the Company or the Subsidiary Guarantors; 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 Bonds in, from or otherwise involving the United Kingdom.

## **Hong Kong**

The Sole Bookrunner has represented, warranted and agreed that that it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to

“professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; 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 Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

## **Cayman Islands**

The Sole Bookrunner has represented and agreed that the public in the Cayman Islands may not be invited to subscribe for the Bonds unless at the time of such invitation the issuer is listed on the Cayman Islands Stock Exchange.

## **British Virgin Islands**

The Sole Bookrunner has represented, warranted and agreed that no invitation has been made or will be made, directly or indirectly, to any person in the British Virgin Islands or to the public in the British Virgin Islands to purchase the Bonds and the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by the British Virgin Islands laws.

## **Japan**

The Sole Bookrunner has acknowledged that the Bonds have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the “**Financial Instruments and Exchange Law**”). Accordingly, the Sole Bookrunner has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and other applicable laws and regulations of Japan.

## **Singapore**

The Sole Bookrunner has represented and agreed that this offering circular has not been and will not be registered as a prospectus with the MAS. Accordingly, the Sole Bookrunner has represented and agreed that it has not offered or sold any Bonds or caused any Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause any Bonds 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 circular or any other document or material in connection with the offer or sale, or invitation for subscription or

purchase, of any Bonds, 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.

This offering circular has not been registered as a prospectus with the MAS. Accordingly, this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Bonds may not be circulated or distributed, nor may any Bonds 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 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 Bonds 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 Bonds 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.

## **PRC**

The Sole Bookrunner has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan).

## **Bermuda**

The Sole Bookrunner has represented, warranted and agreed that it has not marketed, offered or sold and will not offer or sell, any Bonds to the public in Bermuda nor any persons, firm or company regarded as a resident of Bermuda for exchange control purpose and will procure that any purchaser of the Bonds from it will comply with such restriction.

The Sole Bookrunner has further acknowledged that the Offering Circular is not subject to and has not received approval from either the Bermuda Monetary Authority or the Registrar of Companies and no statement to the contrary, explicit or implicit, is authorized to be made in this regard. Additionally, non-Bermudian persons may not carry on or engage in any trade or business in Bermuda unless such persons are authorized to do so under applicable Bermuda legislation and engaging in the activity of offering or marketing the Bonds in Bermuda to persons in Bermuda may be deemed to be carrying on business in Bermuda.

## **Switzerland**

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Bonds described herein. The Bonds may not be publicly offered, sole or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. No offering or marketing material relating to the Bonds (including this Offering Circular) constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations and neither this Offering Circular nor any other offering or marketing material relating to the Bonds (including the Offering Circular) may be publicly disclosed or otherwise made publicly available in Switzerland.

## **Netherlands**

The Bonds (or any interest therein) are not and may not, directly or indirectly, be offered, sold, pledged, delivered or transferred in the Netherlands, on their issue date or at any time thereafter, and neither the Offering Circular nor any other document in relation to any offering of the Bonds (or any interest therein) may be distributed or circulated in the Netherlands, other than to qualified investors as defined in the Prospectus Directive 2003/71/EC, as amended, provided that these parties acquire the Bonds for their own account or that of another qualified investor.



## **Independent auditor**

Our consolidated financial statements as of and for each of the fiscal years ended December 31, 2015 and 2016 have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

Our unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2017 has been reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

## General information

### Consents

The Issuer and the Company have obtained all necessary consents, approvals and authorisations in connection with the issue of and performance of their obligations under the Bonds and the Guarantee. The issue of the Bonds was authorised by a resolution of the board of directors of the Issuer passed on or about January 25, 2018. The giving of the relevant Guarantee by the Company was authorised by a resolution of the board of directors of the Company passed on or about 16 January 2018. The giving of the relevant Guarantees by each of the initial Subsidiary Guarantors was authorised by a resolution of the board of directors of each initial Subsidiary Guarantor on or about January 25, 2018.

### Litigation

Save as disclosed in this offering circular, 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 Bonds or the Subsidiary Guarantees.

### No material adverse change

Except as may be otherwise disclosed in this offering circular, 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 Bonds.

### Documents available

Copies of the latest annual reports and interim reports of the Group may be downloaded free of charge from the website of <http://www.hkexnews.hk> and copies of the memorandum and articles of association of the Issuer, the Trust Deed and the Agency Agreement will be made available for inspection, at the Company's principal office in Hong Kong (being Suite 1702, 17/F., Dina House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong) during normal business hours or at the principal office of the Trustee upon written notice during normal business hours, so long as any of the Bonds is outstanding.

### Clearing system and settlement

The Bonds have been accepted for clearance through the facilities of Euroclear and Clearstream with ISIN of XS1756818768 and Common Code of 175681876.

### Listing of the Bonds

Application has been made for the listing and quotation of the Bonds 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 Bonds on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Subsidiary Guarantors, any other subsidiary or associated company of the Issuer, the Bonds, the Shares or

the Subsidiary Guarantees. The Bonds will be traded on the SGX-ST in a minimum board lot size of HK\$200,000, with a minimum of ten lots, and in integral amounts of ten lots only, to be traded in a single transaction for so long as the Bonds are listed on the SGX-ST.

For so long as any Bonds 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 Bonds may be presented or surrendered for payment or redemption, in the event that a relevant Global Bond is exchanged for definitive Bonds. In addition, in the event that a Global Bond is exchanged for definitive Bonds, 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 Bonds, including details of the paying agent in Singapore.

### **Listing of the Shares**

Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares to be issued on conversion of the Bonds. Conditional approval for the listing of the Shares to be issued on conversion of the Bonds on the Hong Kong Stock Exchange will be granted by the Hong Kong Stock Exchange.

## PRINCIPAL AND REGISTERED OFFICE OF THE COMPANY

**Registered Office**  
Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

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Foshan Guangdong Province  
528312  
People's Republic of China

**Principal Place of Business in  
Hong Kong**  
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11 Duddell Street  
Central  
Hong Kong

**TRUSTEE**  
**Citicorp International Limited**  
39/F, Champion Tower  
3 Garden Road, Central  
Hong Kong

**REGISTRAR**  
**Citibank N.A., London Branch**  
c/o Citibank N.A.,  
Dublin Branch  
One North Wall Quay, Dublin 1  
Ireland

**PAYING AND  
TRANSFER AGENT**  
**Citibank, N.A.,  
London Branch**  
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One North Wall Quay, Dublin 1  
Ireland

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## LEGAL ADVISERS TO THE INITIAL PURCHASER

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## INDEPENDENT AUDITOR

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Central  
Hong Kong

## SINGAPORE LISTING AGENT

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