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zhenro 正榮地產

Zhenro Properties Group Limited
正榮地產集團有限公司

(於開曼群島註冊成立的有限公司)

(股份代號：6158)

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條刊發。

請參閱隨附的資料備忘錄(「資料備忘錄」)，內容有關正榮地產集團有限公司(「本公司」)發行於二零一九年到期之160,000,000美元票息8.50%優先票據，資料備忘錄於二零一八年五月十四日登載於新加坡證券交易所有限公司網站。

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正榮地產集團有限公司

董事長

黃仙枝

香港，二零一八年五月十四日

於本通告日期，本公司執行董事為黃仙枝先生、林朝陽先生及王本龍先生，本公司非執行董事為歐國強先生及歐國偉先生，以及本公司獨立非執行董事為陸海林先生、沈國權先生及王傳序先生。

**Zhenro Properties Group Limited***(incorporated in the Cayman Islands with limited liability)***US\$160,000,000****8.50% Senior Notes due 2019****Issue Price: 100%**

Our US\$160,000,000 8.50% senior notes due 2019 (the "Notes") will bear interest from May 11, 2018 at 8.50% per annum, payable semi-annually in arrears on November 11 and May 10 of each year, beginning November 11, 2018. The Notes will mature on May 10, 2019.

The Notes are senior obligations of Zhenro Properties Group Limited (the "Company"), guaranteed by certain of our existing subsidiaries (the "Subsidiary Guarantors" and, such Guarantees, the "Subsidiary Guarantees"), other than (1) those organized under the laws of the PRC and (2) certain other subsidiaries specified in the section entitled "Description of the Notes." Under certain circumstances and subject to certain conditions, a Subsidiary Guarantee required to be provided by a subsidiary of the Company may be replaced by a limited-recourse guarantee (the "JV Subsidiary Guarantee"). We refer to the subsidiaries providing a JV Subsidiary Guarantee as JV Subsidiary Guarantors.

At any time prior to maturity, we may at our option redeem up to 35% of the Notes, at a redemption price of 108.50% of the principal amount of the Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date in each case, using the net cash proceeds from sales of certain kinds of capital stock of the Company. In addition, we may redeem the Notes, in whole but not in part, at any time prior to May 10, 2019, at a price equal to 100% of the principal amount of the Notes plus (i) any accrued and unpaid interest to (but not including) the redemption date and (ii) a premium as set forth in this information memorandum. Upon the occurrence of a Change of Control Triggering Event (as defined in the indenture governing the Notes (the "Indenture")), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The Notes will be (1) at least *pari passu* in right of payment against the Company with all other unsecured, unsubordinated indebtedness (as defined in the Indenture) of the Company (subject to any priority rights of such unsecured, unsubordinated indebtedness pursuant to applicable law), (2) senior in right of payment to any future obligations of the Company expressly subordinated in right of payment to the Notes, (3) effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor, and (4) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined in "Description of the Notes"). In addition, applicable law may limit the enforceability of the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) and the pledge of any collateral. See "Risk Factors—Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees."

For a more detailed description of the Notes, see the section entitled "Description of the Notes" beginning on page 95.

Investing in the Notes involves risks. See the section entitled "Risk Factors" beginning on page 8.

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

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or under any securities law of any state or other jurisdiction of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Notes are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act ("Regulation S"). For a description of certain restrictions on offers and sale of the Notes and the distribution of this information memorandum, see the section entitled "Transfer Restrictions."

It is expected that the delivery of the Notes will be made on or about May 11, 2018 through the book-entry facilities of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream") against payment therefor in immediately available funds.

The date of this information memorandum is May 3, 2018

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You should rely only on the information contained in this information memorandum. This information memorandum contains important information with respect to an investment in the Notes. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these Notes in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this information memorandum is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates. We are relying on an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. You should understand that you will be required to bear the financial risks of your investment for an indefinite period of time.

This information memorandum may only be used in connection with an investment in the Notes. We have not authorized its use for any other purpose. This information memorandum may not be copied or reproduced in whole or in part. They may be distributed and their contents disclosed only to the prospective investor to whom this is provided. By accepting delivery of this information memorandum, you agree to these restrictions. See “Transfer Restrictions” in the information memorandum. This information memorandum contains information provided by other sources that we believe are reliable. We cannot assure you that information from other sources is accurate or complete. This information memorandum summarizes certain documents and other information and we refer you to them for a more complete understanding of what we discuss in this information memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the offering and the Notes, including the merits and risks involved.

We are not making any representation to any purchaser of the Notes regarding the legality of an investment in the Notes by such purchaser under any legal, investment or similar laws or regulations. You should not consider any information in this information memorandum to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the Securities.

You should contact us with any questions about this offering or for additional information to verify the information contained in this information memorandum. Neither the U.S. Securities and Exchange Commission nor any state securities commission nor any other regulatory authority has approved or disapproved of these securities nor have any of the foregoing authorities passed judgement upon or endorsed the merits of this offering or determined if this information memorandum is truthful or complete. Any representation to the contrary is a criminal offence.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

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

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

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

We record and publish our financial statements in Renminbi. Unless otherwise stated in this information memorandum, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.7793 to US\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2017, and all translations from H.K. dollars into U.S. dollars were made at the rate of HK\$7.8055 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 information memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or *vice versa*, at any particular rate or at all. For further information relating to the exchange rates, see the section entitled “Exchange Rate Information.”

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

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

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

References to “2016 Corporate Bonds” are to the RMB2.0 billion corporate bonds issued by our wholly owned subsidiary on October 10, 2016 with a term of three years at a coupon rate of 6.4% per annum.

References to “ASP” are to average selling prices.

References to “share” are to, unless the context indicates otherwise, an ordinary share, with a nominal value of HK\$0.00001 per share, in our share capital.

References to “Zhenro Group” are to Zhenro Group Company and its subsidiaries.

References to “Zhenro Group Company” are to Zhenro Group Co., Ltd. (正榮集團有限公司) (formerly known as Fujian Zhenro Group Co., Ltd. (福建正榮集團有限公司)), a company established in the PRC on August 31, 1994 and is owned as to 91.90% by Mr. Ou Zongrong and 8.10% by Mr. Ou Guoqiang, the controlling shareholders of our Group.

References to “sq.m.” are to square meters.

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

In this information memorandum, unless the context otherwise requires, all references to “affiliate” are to person or entity directly or indirectly controlled by, or under the direct or indirect common control of, another person or entity; all references to “subsidiary” are used with the meaning ascribed to it in the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended (the “Listing Rules”), which includes: (i) a “subsidiary undertaking” as defined in the twenty-third schedule to the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (the “Companies Ordinance”), (ii) any entity which is accounted for and consolidated in the audited consolidated accounts of another entity as a subsidiary pursuant to HKFRS or International Financial Reporting Standards, as applicable, and (iii) any entity which will, as a result of acquisition of its equity interest by another entity, be accounted for and consolidated in the next audited consolidated accounts of such other entity as a subsidiary pursuant to HKFRS or International Financial Reporting Standards, as applicable; all references to “associate” are used with the meaning ascribed thereto under the Listing Rules, which includes: (i) in relation to an individual, his spouse and children under the age of 18, certain trustees, his or his family holding companies, as well as companies over which he, his family, trustee interests and holding companies exercise at least 30% voting power, (ii) in relation to a company, its subsidiaries, its holding companies, subsidiaries of such holding companies, certain trustees, as well as companies over which such company and its subsidiaries, trustee interests, holding companies and subsidiaries of such holding companies together exercise at least 30% voting power and (iii) in the context of connected transactions, certain connected persons and enlarged family members of a director, chief executive or substantial shareholder of a listed issuer; and all references to “controlling shareholder” are used with the meaning ascribed thereto under the Listing Rules, including any person or group of persons who are entitled to exercise 30% or more of the voting power at our general meetings or are in a position to control the composition of a majority of our board of directors, and “controlling interest” will be construed accordingly.

In this information memorandum, a land grant contract refers to a state-owned land use rights grant contract between a developer and the relevant PRC governmental land administrative authorities, typically the local state-owned land bureaus.

In this information memorandum, a land use rights certificate refers to a state-owned land use rights certificate issued by a local real estate and land resources bureau with respect to the land use rights; a construction land planning permit refers to a construction land planning permit issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction work planning permit refers to a construction work planning permit issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction permit refers to a construction works commencement permit issued by local construction committees or equivalent authorities in China; a pre-sale permit refers to a commodity property pre-sale permit issued by local housing and building administrative bureaus or equivalent authorities with respect to the pre-sale of relevant properties; a certificate of completion refers to a construction project planning inspection and clearance certificate issued by local urban zoning and planning bureaus or equivalent authorities or equivalent certificate issued by relevant authorities in China with respect to the completion of property projects subsequent to their on-site examination and inspection; and a property ownership certificate refers to a property ownership and land use rights certificate) issued by a local real estate and land resources bureau with respect to the land use rights and the ownership rights of the buildings on the relevant land.

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

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

FORWARD-LOOKING STATEMENTS

This information memorandum contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include statements relating to:

- the performance and future developments of the property market in the PRC or any region in the PRC or elsewhere in which we engage in property development;
- our business and operating strategies and our ability to implement such strategies;
- various business opportunities that we may pursue;
- changes in competitive conditions and our ability to compete under these conditions;
- our dividend distribution plans;
- our ability to further develop and manage our projects as planned;
- our capital expenditure plans, particularly plans relating to primarily land development, acquisition of land for our property development and the development of our projects;
- our operations and business prospects, including development plans for our existing and new businesses;
- the prospective financial information regarding our businesses;
- availability and costs of bank loans and other forms of financing;
- the future competitive environment for the PRC real estate industry;
- the regulatory environment in terms of changes in laws and PRC government regulations, policies, approval processes in the regions where we develop or manage our projects as well as the general outlook for the PRC real estate industry;
- exchange rate fluctuations and restrictions;
- future developments and the competitive environment in the PRC real estate industry;
- the general economic trend of the PRC and, in particular, the cities in which we operate; and
- other factors beyond our control.

In some cases, you can identify forward-looking statements by such terminology as “may,” “will,” “should,” “could,” “would,” “expect,” “intend,” “plan,” “anticipate,” “going forward,” “ought to,” “seek,” “project,” “forecast,” “believe,” “estimate,” “predict,” “potential” or “continue” or the negative of these terms or other comparable terminology. Such statements reflect the current views of our management with respect to future events, operations, results, liquidity and capital resources and are not guarantee of future performance and some of which may not materialize or may change. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that those expectations will prove to be correct, and you are cautioned not to place undue reliance on such statements. In addition, unanticipated events may adversely affect the actual results we achieve. Important factors that could cause actual results to differ materially from our expectations are disclosed under the section entitled “Risk Factors” in this information memorandum. Except as required by law, we undertake no obligation to update or otherwise revise any forward-looking statements contained in this information memorandum, whether as a result of new information, future events or otherwise after the date of this information memorandum. All forward-looking statements contained in this information memorandum are qualified by reference to the cautionary statements set forth in this section.

INCORPORATION BY REFERENCE

We incorporate by reference the filings and announcements we made to The Stock Exchange of Hong Kong Limited since March 28, 2018 as of the date of this information memorandum.

SUMMARY

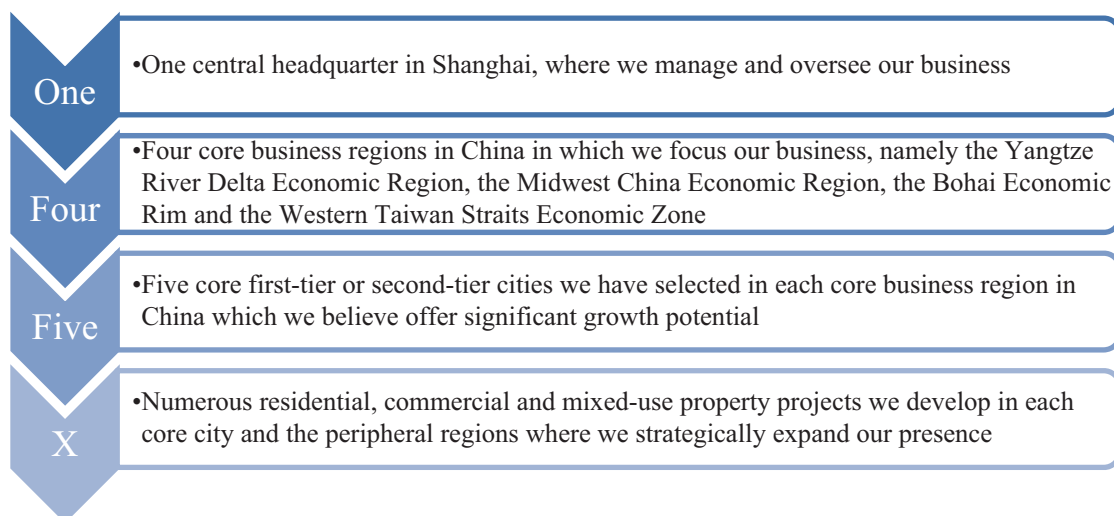
This summary does not contain all the information that may be important to you in deciding to invest in the Notes. You should read the entire information memorandum, including the section entitled “Risk Factors” and our consolidated financial statements and related notes thereto, before making an investment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

Overview

We are a large comprehensive property developer in the PRC focusing on the development of residential properties and the development, operation and management of commercial and mixed-use properties. Zhenro Properties Holdings, the onshore holding company of our Group, was established in July 2015 as Zhenro Group’s exclusive platform to carry out its property development business founded in 1998. We have inherited from Zhenro Group extensive experience and sophisticated property development capabilities. Zhenro Group has earned the accolade of a top 100 real estate developer in China for 13 consecutive years since 2005 in terms of its comprehensive property development capability by various industry research institutes. Zhenro Group was awarded “China Top 100 Real Estate Developers” jointly by Enterprise Research Institute under the Development Research Center of the State Council, Property Research Institute of Tsinghua University and China Index Academy from 2005 to 2012 and from 2015 to 2017, and “China Top 50 Real Estate Developers” jointly by China Real Estate and Housing Research Association, China Real Estate Association and China Real Estate Appraisal Center since 2013. In 2017, Zhenro Properties Holdings was ranked 19th among the “Top 200 Real Estate Developer in China” according to Yihan Zhiku (億翰智庫).

We strive to develop high-quality residential properties primarily for mid- to high-end customers with home upgrade demand. We are also engaged in the development of commercial and mixed-use properties to maintain a balanced development portfolio. In addition, we currently hold as investment properties the commercial spaces of our shopping malls at the mixed-use properties we developed. We believe such commercial and mixed-use properties will help reduce volatility of our revenue, diversify our risk exposure, and deliver stable cash flow for our business operations. Moreover, we provide commercial property management services to certain commercial properties we developed through our commercial property management subsidiaries. Leveraging our comprehensive and high quality development, operation and management capabilities, we have established a track record of bringing to market large-scale, mixed-use property projects that encompass residential, SOHO and office, retail and/or leisure use spaces. As of June 30, 2017, we had one mega mixed-use property project, namely Nanchang Zhenro The Capital of Great Loch, with a total GFA exceeding 1.0 million sq.m. and four large-scale residential and mixed-use property projects, namely Putian Zhenro Fortune Center, Changsha Zhenro Fortune Center, Nanping Zhenro Fortune Center and Nanchang Zhenro Royal Sunrise, each with a total GFA exceeding 0.5 million sq.m.

Headquartered in Shanghai, we have an active presence in the Yangtze River Delta Economic Region, the Midwest China Economic Region, the Bohai Economic Rim and the Western Taiwan Straits Economic Zone, adopting a “145X” strategy to develop an extensive reach of our network in the PRC:



We attribute our success to our distinctive market positioning strategy, strong land sourcing capability, standardized property development procedures and dynamic realizable-market-value-based inventory management

approach, all of which enable us to replicate our success as we expand throughout China and create brand recognition. In particular, we position our brand as “改善大師 (home upgrade master),” with a vision of offering customer-oriented, quality residences to affluent mid- to high-end customers with home-upgrade demand. We believe such customers have relatively high disposable income and strong purchasing power and place higher priority on quality rather than price in their property purchase decision making process. To implement our market positioning strategy, we have developed four product series of residential property projects since August 2016, namely, the “優家 (Great Home)” series, the “精工 (Craftsman)” series, the “大師 (Masterpiece)” series and the “典藏 (Collection)” series, each targeting different segments of our customers. Our property development process, starting from site selection to project planning and design, is also centered on the needs and preferences of our targeted mid- to high-end customers. Our property products are generally located in urban centers and central areas of newly developed districts in economically developed cities, as well as other regions in China that we believe have strong growth potential. We believe we are able to command a premium in the sales price for our residential properties in certain of our markets, as compared to properties of similar quality. For instance, according to the China Index Academy Report, by comparing with residential properties with similar characteristics in close proximity, such as project scale, property unit size, layout and use for the same year, and by comparing the average selling price per sq.m. of the properties in close proximity, the average selling price per sq.m. of Nanjing Zhenro Royal Fame and Nanjing Zhenro Splendid Land, two selective residential projects developed and sold by us in 2016, were found to be 20.4% and 15.8% higher than that of comparative residential properties in their respective close proximity, respectively, which we believe are primarily attributable to our customer-oriented approach. By comparing with residential projects with similar characteristics in close proximity, China Index Academy eliminated the difference in average selling price caused by different location and property nature, which better reflected the higher selling prices attributable to our advantages in property design, quality, service and reputation.

Our market position, together with our sizable land bank, our quality product offering and our property development and management capabilities along with strong brand recognition we achieved, all contributed to our sustainable and rapid expansion and financial success in the past. Our revenue grew at a CAGR of 119.2% from RMB3,039.6 million in 2014 to RMB14,603.5 million in 2016, and the total GFA delivered grew at a CAGR of 69.1% from 437,595 sq.m. in 2014 to 1,251,117 sq.m. in 2016. Our revenue increased by 49.6% from RMB5,404.5 million in the six months ended June 30, 2016 to RMB8,085.2 million in the same period in 2017 and our total GFA delivered increased by 37.5% from 536,262 sq.m. in the six months ended June 30, 2016 to 737,522 sq.m. in the same period in 2017.

Our Business Strengths

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

- A Large Comprehensive Property Developer in the PRC;
- Sizable Land Bank in First- or Second-Tier Cities or in Cities with High Growth Potential in China and Proven Land Acquisition Capability Fueling Our “145X” Expansion Across China;
- Focused on Developing Quality and Customized Products Targeting Mid- to High-End Customers with Home Upgrade Demand;
- Proven Property Development and Management Capabilities together with Strong Brand Recognition; and
- Professional and Experienced Management Team Benefiting from Our Founder’s Extensive Experience to Support Our Long Term Sustainable Growth.

Our Business Strategies

We intend to grow and strengthen our business through the implementation of the following core business strategies:

- Enhance Leading Position in Existing Markets and Strategically Expand into Other Selected Markets;
- Focus on High Quality and Balanced Future Growth;

- Utilize Diversified Investment Strategy and Identify New Growth Opportunities;
- Further Enhance Our Customer-Oriented Product Offerings, Brand Equity and Customer Loyalty;
- Remain Dedicated to Prudent Financial Policies and Optimize Our Capital Structure; and
- Attract, Retain and Motivate Skilled and Talented Employees.

General Information

We were incorporated in the Cayman Islands on July 21, 2014, as an exempted limited liability company. Our shares have been listed on the Stock Exchange of Hong Kong Limited since January 16, 2018. Our head office in the PRC is located at 28/F Gubei International Fortune Center II, 1438 Hongqiao Road, Changning District, Shanghai, PRC. Our principal place of business in Hong Kong is at 18th Floor, Tesbury Center, 28 Queen's Road East, Wanchai, Hong Kong. Our registered office is located at Walkers Corporate Limited, Cayman Corporate Center, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands. Our website is www.zhenrodc.com. Information contained on our website does not constitute part of this information memorandum.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. The summary consolidated statement of comprehensive income data for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 and the summary consolidated statement of financial position data as of December 31, 2014, 2015 and 2016 and June 30, 2017 set forth below (except for EBITDA data) have been derived from our consolidated financial statements for such years and as of such dates, as audited by Ernest & Young, the independent certified public accountants, and included elsewhere in this information memorandum. Our financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The summary financial data below should be read in conjunction with our consolidated financial statements and the notes to those statements included elsewhere in this information memorandum.

Summary Consolidated Statement of Comprehensive Income and Other Financial Data

	Year ended December 31,				Six months ended June 30,		
	2014	2015	2016		2016	2017	
	RMB'000	RMB'000	RMB'000	US\$'000 (unaudited)	RMB'000 (unaudited)	RMB'000	US\$'000 (unaudited)
REVENUE							
	3,039,559	4,310,180	14,603,520	2,154,134	5,404,538	8,085,246	1,192,637
Cost of sales	(2,370,938)	(3,300,201)	(11,433,831)	(1,686,580)	(3,961,566)	(6,399,933)	(944,040)
GROSS PROFIT							
	668,621	1,009,979	3,169,689	467,554	1,442,972	1,685,313	248,597
Other income and gains	11,909	15,165	48,642	7,175	16,598	63,747	9,403
Selling and distribution expenses	(332,233)	(557,720)	(587,476)	(86,657)	(237,912)	(284,894)	(42,024)
Administrative expenses	(295,882)	(342,783)	(477,292)	(70,404)	(211,582)	(263,840)	(38,918)
Other expenses	(31,889)	(18,698)	(19,528)	(2,881)	(11,647)	(9,529)	(1,406)
Fair value gains on investment properties	585,056	772,829	594,150	87,642	425,696	49,555	7,310
Finance costs	(181,349)	(78,868)	(356,072)	(52,523)	(203,516)	(251,657)	(37,121)
Share of losses of:							
Joint ventures	—	—	(7,205)	(1,063)	(811)	(17,927)	(2,644)
An associate	—	—	—	0	—	(214)	32
PROFIT BEFORE TAX							
	424,233	799,904	2,364,908	348,843	1,219,798	970,554	143,163
Income tax expenses	(344,132)	(380,965)	(1,121,686)	(165,457)	(660,623)	(593,965)	(87,615)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/ PERIOD ...	<u>80,101</u>	<u>418,939</u>	<u>1,243,222</u>	<u>183,385</u>	<u>559,175</u>	<u>376,589</u>	<u>55,550</u>
Attributable to:							
Owners of the parent ...	53,359	418,737	1,183,256	174,540	573,294	309,120	45,598
Non-controlling Interests	26,742	202	59,966	8,845	(14,119)	67,469	9,952
	<u>80,101</u>	<u>418,939</u>	<u>1,243,222</u>	<u>183,385</u>	<u>559,175</u>	<u>376,589</u>	<u>55,550</u>

Summary Consolidated Statement of Financial Position

	As of December 31,				As of June 30,	
	2014	2015	2016		2017	
	RMB'000	RMB'000	RMB'000	US\$'000 (unaudited)	RMB'000	US\$'000 (unaudited)
NON-CURRENT ASSETS						
Property, plant and equipment	60,648	51,300	50,194	7,404	47,319	6,980
Investment properties . . .	3,113,590	4,785,880	7,421,860	1,094,783	7,788,090	1,148,804
Prepaid land lease payments	1,038,852	1,008,767	387,435	57,150	387,435	57,150
Other intangible assets . . .	4,170	5,356	5,238	773	4,652	686
Investments in joint ventures	—	—	46,894	6,917	1,268,569	187,124
Investment in an associate	—	—	—	0	11,226	1,656
Deferred tax assets	180,140	566,597	821,090	121,117	921,678	135,955
Total non-current assets	<u>4,397,400</u>	<u>6,417,900</u>	<u>8,732,711</u>	<u>1,288,143</u>	<u>10,937,547</u>	<u>1,613,374</u>

	As of December 31,				As of June 30,	
	2014	2015	2016		2017	
	RMB'000	RMB'000	RMB'000	US\$'000 (unaudited)	RMB'000	US\$'000 (unaudited)
CURRENT ASSETS						
Available-for-sale investments	1,530	1,438,020	—	0	—	0
Properties under development	27,714,867	39,512,885	37,524,366	5,535,139	43,085,702	6,355,479
Completed properties held for sale	1,029,833	2,564,430	9,526,678	1,405,260	10,923,322	1,611,276
Trade receivables	13,985	4,038	10,205	1,505	21,188	3,125
Due from related companies	15,217	2,122,047	1,462,879	215,786	1,709,202	252,121
Due from a shareholder	—	—	8,210	1,211	10,973	1,619
Prepaid land lease payments	5,989,700	86,564	6,941,396	1,023,910	6,064,715	974,247
Prepayments, deposits and other receivables	2,423,495	2,090,669	3,091,874	456,076	8,690,159	1,281,867
Tax recoverable	304,580	509,298	953,569	140,659	1,052,368	155,233
Restricted cash	275,949	1,726,115	2,984,436	440,228	3,819,566	563,416
Pledged deposits	335,545	519,007	832,654	122,823	758,334	111,860
Cash and cash equivalents	1,025,792	2,530,727	14,689,689	2,166,845	7,360,643	1,085,753
Total current assets	<u>39,130,493</u>	<u>53,103,800</u>	<u>78,025,956</u>	<u>11,509,441</u>	<u>83,496,172</u>	<u>12,316,341</u>
CURRENT LIABILITIES						
Trade and bills payables	2,231,161	4,517,130	5,506,441	812,243	4,965,027	732,380
Other payables, deposits received and accruals	736,096	810,745	968,033	142,792	2,896,446	427,249
Advances from customers	6,936,543	21,334,102	32,612,783	4,810,642	36,549,900	5,391,397
Due to related companies	1,177,634	144,240	7,648	1,128	281,979	41,594
Due to shareholders	93,192	94,192	79,586	11,740	79,856	11,779
Corporate bond	—	—	2,002,359	295,364	307,757	45,397
Interest-bearing bank and other borrowings	13,793,224	9,411,467	10,319,155	1,522,156	14,264,378	2,104,108
Tax payable	247,457	479,781	1,011,813	149,250	1,101,745	162,516
Total current liabilities	<u>25,215,307</u>	<u>36,791,657</u>	<u>50,505,729</u>	<u>7,449,992</u>	<u>60,139,331</u>	<u>8,871,024</u>
NET CURRENT ASSETS	<u>13,915,186</u>	<u>16,312,143</u>	<u>27,520,227</u>	<u>4,059,457</u>	<u>23,356,841</u>	<u>3,445,318</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>18,312,586</u>	<u>22,730,043</u>	<u>36,252,938</u>	<u>5,347,593</u>	<u>34,294,388</u>	<u>5,058,692</u>

	As of December 31,				As of June 30,	
	2014	2015	2016		2017	
	RMB'000	RMB'000	RMB'000	US\$'000 (unaudited)	RMB'000	US\$'000 (unaudited)
NON-CURRENT LIABILITIES						
Interest-bearing bank and other borrowings	16,387,264	15,946,888	24,714,906	3,645,643	22,149,479	3,267,222
Corporate bond	—	—	1,988,777	293,360	2,058,885	303,702
Deferred tax liabilities . . .	252,874	472,593	559,324	82,505	545,404	80,451
Total non-current liabilities	16,640,138	16,419,481	27,263,007	4,021,508	24,753,768	3,651,375
NET ASSETS	<u>1,672,448</u>	<u>6,310,562</u>	<u>8,989,931</u>	<u>1,326,085</u>	<u>9,540,620</u>	<u>1,407,316</u>
EQUITY						
Equity attributable to owners of the parent						
Share capital	—	—	—	0	—	0
Reserves	1,560,796	6,149,013	7,974,754	1,176,339	8,375,599	1,235,467
	<u>1,560,796</u>	<u>6,149,013</u>	<u>7,974,754</u>	<u>1,176,339</u>	<u>8,375,599</u>	<u>1,235,467</u>
Non-controlling interests	111,652	161,549	1,015,177	149,747	1,165,021	171,850
TOTAL EQUITY	<u>1,672,448</u>	<u>6,310,562</u>	<u>8,989,931</u>	<u>1,326,085</u>	<u>9,540,620</u>	<u>1,407,316</u>

RISK FACTORS

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

RISKS RELATING TO OUR BUSINESS

Our business and prospects are heavily dependent on and may be adversely affected by the performance of the PRC property markets, particularly in the various cities we operate and intend to operate.

Our business and prospects depend on the performance of the PRC property market. As of October 31, 2017, we had 81 property projects located in 17 cities in four core business regions at various stages of development, of which 64 property projects were owned and developed by us, ten property projects were developed by our Joint Ventures and seven property projects were developed by our associated companies. We had and will continue to enhance our presence in these four core business regions in the PRC, which are the Yangtze River Delta Economic Region, the Midwest China Economic Region, the Bohai Economic Rim and the Western Taiwan Straits Economic Zone. These property markets may be affected by local, regional, national and global factors, including economic and financial condition, speculative activities in local markets, demand for and supply of properties, investor confidence, availability of alternative investment choices for property buyers, inflation, government policies, interest rates and availability of capital. Any market downturn in China generally or in cities in which we have or expect to have operations may materially and adversely affect our business, financial condition and results of operations.

In particular, the PRC property market is affected by the recent slowdown in China's economic growth. There have been increasing concerns over the sustainability of the real estate market growth in China. Factors such as decrease in available funds and investor confidence may influence demand for the properties we developed. As a result, the property market may experience over supply of properties and idle housing inventory. For instance, according to China Index Academy, both the price and transaction volume in Nanchang witnessed decreases in 2014. Any over-supply of properties or any potential decline in the demand or prices for properties in the cities in which we operate or intend to operate could have a material and adverse impact on our cash flows, financial condition and results of operations.

Furthermore, our business is subject to extensive governmental regulation and, in particular, we are sensitive to policy changes in the PRC property sector. The PRC government has in recent years promulgated various control measures aimed at cooling the property sector and may adopt further measures to regulate this sector. See “— Risks Relating to Our Industry — Our operations are subject to extensive government policies and regulations and, in particular, we are susceptible to adverse changes in policies related to the PRC property industry and in regions in which we operate.” We cannot assure you that such measures will not have a negative impact on our business or that the demand for new properties in cities and regions where we have or will have operations will continue to grow in the future or that there will not be over-development or market downturn in the PRC property sector.

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

The sustainable growth and success of our business depend significantly on our ability to continue acquiring additional land reserves in desirable locations at commercially reasonable prices that are suitable for our projects. We primarily acquire land for our projects through the listing-for-sale process organized by the relevant government authorities, auctions and public tenders. We also acquire land by cooperating with third-party business partners through joint ventures and associated companies. In addition, we occasionally acquire land from third parties by acquiring equity interests in companies that possess land use rights. See “Business — Our Project Operation and Management — Our Project Development Process — Market Research and Site Selection.”

Our ability to acquire land depends on a variety of factors, such as the local overall economic conditions, the availability of land parcels legally provided by the government, our effectiveness in estimating

the profits of the acquired land parcels and the competition for such land parcels. The PRC government and relevant local authorities control the supply and price of new land parcels and approve the planning and use of such land parcels. Specific regulations are in place to control the methods and procedures by which land parcels are acquired and developed in the PRC. Furthermore, the rapid development in the recent decades in major cities which we plan to enter has resulted in a limited supply of undeveloped land in desirable locations and at reasonable acquisition costs. As a result, our cost for acquiring land use rights will rise further in the future, our business, financial condition, results of operations and prospects may be materially and adversely affected if we are unable to acquire land parcels for development in a timely manner or at prices that allow us to achieve reasonable returns upon sales to our customers. See “Regulation” for information on the regulatory procedures and restrictions relating to land acquisition in the PRC.

We may not be successful in managing our growth and expansion into new cities and regions and new businesses.

In order to achieve sustainable growth, we need to continue to seek development opportunities in selected regions in the PRC with the potential for growth and where we have no existing operations. Our historical focus was primarily on the development of residential property projects in the Western Taiwan Straits Economic Zone, namely in Jiangxi and Fujian provinces at our inception. In 2013 and 2014, we tapped into the Yangtze River Delta Economic Region, the Midwest China Economic Region and the Bohai Economic Rim regions, and expanded our business to the development, operation and management of commercial and mixed-use properties. As of October 31, 2017, we had 81 property projects under various stages of development with an aggregate GFA attributable to us of approximately 11.5 million sq.m., of which, approximately 7.4 million sq.m., or 64.4%, were located in the Yangtze River Delta Economic Region, the Midwest China Economic Region and the Bohai Economic Rim. We intend to continue to expand our operations into additional major cities in these four core business regions and enter into the Pearl River Delta Region in the future.

Expansion into new geographical locations and new businesses involves uncertainties and challenges as we may be less familiar with local regulatory practices and customs, customer preferences and behavior, the reliability of local contractors and suppliers, business practices and business environments and municipal-planning policies in relevant sub-markets. In addition, expanding our business into new geographical locations would entail competition with developers who have a better-established local presence or greater access to local labors, expertise and knowledge than we do. Furthermore, the construction, market and tax related regulations in our target cities may be different from each other and we may face additional expenses or difficulties in complying with new procedures and adapting to new environments.

As we may face challenges not previously encountered, we may fail to recognize or properly assess risks or take full advantage of opportunities, or otherwise fail to adequately leverage our past experience to meet challenges encountered in these new markets. For example, we may have difficulty in accurately predicting market demand for our properties in the cities which we expand into or match the behaviors or expectations of the residents in the properties we manage in such cities. We may also have difficulty in promoting and maintaining high occupancy rates and/or rental rates in the investment properties that we are currently developing after these properties are completed and commence operations.

In addition, expanding into new geographic locations and new businesses requires a significant amount of capital and management resources. We may not be able to manage the growth in our workforce to match the expansion of our business, and accordingly, experience issues such as capital constraints, construction delays, and lack of expertized personal. Any of these factors could have a material and adverse effect on our business, financial condition, results of operations and prospects.

We had negative net operating cash flow for the years ended December 31, 2014 and 2016 and the six months ended June 30, 2017 and we may not be able to obtain sufficient funding for our land acquisitions and future property developments whether through bank loans, corporate bonds, asset-backed securities programs, trust financing or other arrangements, on commercially reasonable terms, or at all.

Property development usually requires substantial capital investment during the construction period. In years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, our liquidity requirements arose principally from the acquisition of land for, and development of, our property development projects. Our property development projects have been generally funded through cash generated from operations, including proceeds from the pre-sale of our properties, bank loans, corporate bonds and trust financings. We expect to continue to fund our projects through these sources and will look for additional financing opportunities,

such as the issuance of asset-backed securities programs or other debt offerings. However, we cannot assure you that such funds will be sufficient or that any additional financing can be obtained on satisfactory or commercially reasonable terms, or at all. For the years ended December 31, 2014 and 2016 and the six months ended June 30, 2016 and 2017, we recorded negative net cash flow used in operating activities of approximately RMB13,332.2 million, RMB1,659.9 million, RMB1,264.8 million and RMB6,805.3 million. Our negative net operating cash flow was principally attributable to the long-term and capital-intensive nature of property development, our land acquisitions and business expansion during the relevant periods. We cannot assure you that we will not experience negative net cash flow from our operating activities in the future again. A negative net cash flow position for operating activities could impair our ability to make necessary capital expenditures, constrain our operational flexibility and adversely affect our ability to expand our business and enhance our liquidity. For example, if we do not have sufficient net cash flow to fund our future liquidity, pay our trade and bills payables and repay the outstanding debt obligations when they become due, we may need to significantly increase external borrowings or secure other external financing. If adequate funds are not available from external borrowings, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, prospects, financial condition and results of operations may be materially and adversely affected.

A number of factors, such as general economic conditions, our financial performance, our ability to obtain relevant government approvals, availability of credit from financial institutions and monetary policies in the PRC, may affect our ability to obtain adequate financing for our projects on favorable terms, or at all. The PRC government has implemented a number of measures to manage money supply growth and credit availability, especially with respect to the property development sector. For example:

- the PBOC has adjusted the RMB deposit reserve ratio several times since 2010 and has recently adjusted it downward in March 2016;
- the PBOC has adjusted the benchmark one-year bank lending rate several times since 2008;
- requiring a minimum percentage of the total investment in a property project to be funded by the developer's own capital;
- prohibiting PRC commercial banks and trust financing companies from extending loans to property developers to finance land grant premium;
- prohibiting PRC commercial banks from extending any existing loans, granting any new or revolving credit facilities in any form to property developers with non-compliance records regarding, among other things, holding and speculating idle lands, changing the land use to that outside the scope of the designated purpose, postponing construction commencement or completion, hoarding properties and rigging price for properties;
- prohibiting PRC commercial banks from taking commodity properties of property developers that have been vacant for more than three years as security for loans;
- prohibiting PRC commercial banks and trust financing companies from granting loans to development projects that fail to meet project capital ratio requirements or lack the required government permits and certificates; and
- prohibiting property developers from using borrowings obtained from any local banks to fund property developments outside that local region.

In addition, since trust financing companies are under the supervision and monitoring of the CBRC and are required to comply with all notices and regulations promulgated by the CBRC, we cannot assure you that the PRC government will not implement additional or more stringent measures to limit the amount that trust financing companies can make available for the PRC property industry. The foregoing and other governmental actions and policy initiatives may limit our flexibility and ability to use existing or future bank loans or other forms of financing, including corporate bonds, trust financing, asset-backed securities programs and financings from other financial institutions to finance our property developments and therefore may require us to maintain a relatively high level of internally sourced cash. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We have substantial indebtedness and may incur additional indebtedness in the future, which may materially and adversely affect our financial condition and results of operations.

We maintain a substantial level of borrowings to finance our operations for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017. As of December 31, 2014, 2015 and 2016 and June 30, 2017, our total outstanding bank loans and other borrowings amounted to approximately RMB30,180.5 million, RMB25,358.4 million, RMB35,034.1 million and RMB36,413.9 million, respectively. In particular, on October 10, 2016, our wholly-owned subsidiary, Jiangxi Real Estate, issued the 2016 Corporate Bond to qualified investors in an amount of RMB2.0 billion with a three-year term at a coupon rate of 6.4% per annum. We may time to time in the future issue new corporate bonds, asset-backed securities programs or look for other debt financing opportunities to refinance our existing loans and to support our business expansion. In addition, we have in the past entered into, and may from time to time in the future enter into, investment agreement or framework agreement for our future projects, under which we may be required to make capital commitments.

Our substantial indebtedness and high gearing could have significant implications, including, among others:

- 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 for our business expansion, working capital 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 with lower levels of indebtedness;
- limit our ability to borrow additional funds; and
- increase our cost of additional financing.

In addition, we are subject to certain restrictive covenants under the terms of our borrowings, which may restrict or otherwise adversely affect our operations. These covenants may restrict, among other things, our ability to incur additional debt or make guarantees, incur liens, pay dividends or distributions on our or our subsidiaries' capital stock, repurchase our or our subsidiaries' capital stock, prepay certain indebtedness, repay shareholders' loans, reduce our registered capital, sell, transfer, lease or otherwise dispose of property or assets, make investments and engage in mergers, consolidation or other change-in-control transactions. In addition, some of the loans may have restrictive covenants linked to our financial performance, such as maintaining a prescribed maximum debt-asset ratio or minimum profitability levels during the term of the loans. Pursuant to certain trust financing agreements, trusts companies and asset management companies have veto rights over some of our above corporate actions, which will further limit our flexibility of operation and ability to raise additional funding.

Moreover, our trust and other financings are generally secured by a pledge or transfer of our equity interests in the relevant project subsidiaries, and/or a lien of land use right or development project. If we incur default and cannot repay all of the secured indebtedness, we may lose part or all of our equity interests in these project subsidiaries, our proportionate share of the asset value of the relevant property projects, land use rights or our development projects.

In the future, we expect to incur additional indebtedness to complete our projects under development and projects held for future development and we may also utilize proceeds from additional debt financing to acquire land resources, which could intensify the risks we face as a result of our indebtedness.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by, among other things, prevailing economic

conditions, PRC governmental regulation, the demand for properties in the regions we operate and other factors, many of which are beyond our control. We may not generate sufficient cash flow to pay our anticipated operating expenses and to service our debts, in which case we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, disposing of our assets, restructuring or refinancing our indebtedness or seeking equity capital. If we are unable to fulfill our repayment obligations under our borrowings, or are otherwise unable to comply with the restrictions and covenants in our current or future bank loans, corporate bonds and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the lenders may accelerate the repayment of outstanding debt or, with respect to secured borrowings, enforce the security interest securing the loan. Any cross-default and acceleration clause may also be triggered as a result. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay all of our indebtedness, or that we would be able to obtain alternative financing on terms that are favorable or acceptable to us. As a result, our cash flow, cash available for distributions, financial condition and results of operations may be materially and adversely affected.

We generate revenue principally from the sale of properties, and our ability to realize benefits from a property development project may fluctuate, as it will depend on our property development project schedule and the timing of sales for such project.

Historically, we have derived our revenue principally from the sale of properties we developed. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, we generated 99.5%, 99.6%, 99.5%, 99.4% and 99.4%, respectively, of our revenue from the sale of properties. According to our accounting policies, our recognized revenue depends mainly on the project completion and delivery schedule. Depending on the type of properties and the revenue generated, it typically takes 18 to 24 months from commencement of pre-sale to the construction completion of these properties before we recognize revenue from such projects. Therefore, it may fluctuate due to factors such as the schedule of our property development, the market demand for our properties and the timing of property sales. Consequently, our financial results for any given period only reflect decisions made by our customers some time ago and may not be indicative of our actual operating results during such period. In addition, cyclical property market of the PRC affects the optimal timing for the acquisition of land, the planning of development and the sales of properties. This cyclicity, combined with the time required and statutory time limits for the completion of projects and the sales of properties, means that our results of operations relating to property development activities may be susceptible to significant fluctuations from period to period. As a result, it would be difficult to predict our future performance.

In addition, the real estate market volatility may subject us to risks in connection with possible impairment loss for properties under development as well as completed properties held for sale, if we fail to complete the construction and sell the properties in time at our desired prices. Impairment loss may arise when the carrying value of a property exceeds its recoverable amount. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, we recorded impairment losses recognized for properties under development in the amount of RMB266.6 million, RMB107.2 million, RMB19.7 million and RMB35.6 million, respectively. During the same periods, we recorded impairment losses write-off for completed properties held for sale in the amount of RMB18.8 million, RMB4.8 million, RMB269.4 million and RMB6.1 million, respectively. We cannot assure you that we may not incur impairment losses, if any or at similar level, during adverse market conditions in the future.

We may not be able to complete our projects according to schedule which may adversely affect our business and financial condition.

The schedules of our project developments and whether the project can be completed within the planned budgets depend on a number of factors, including the performance and efficiency of our third-party contractors and our ability to finance construction and the associated financing costs. Other specific factors that could adversely affect our project development schedules and budgets include:

- changes in market conditions, economic downturns, and decreases in business and consumer sentiment in general;
- changes in relevant regulations and government policies;
- relocation of existing residents and/or demolition of existing constructions;
- shortages of materials, equipment, contractors and skilled labor;

- labor disputes;
- construction accidents;
- errors in judgment on the selection and acquisition criteria for potential sites; and
- natural catastrophes and adverse weather conditions.

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

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

The property industry in the PRC is heavily regulated. Property developers must abide by various laws and regulations, including rules stipulated by national and local governments to enforce these laws and regulations. To engage in property development and management operations, we must apply to the relevant government authorities to obtain (and renew for those relating to on-going operations) various licenses, permits, certificates and approvals, including but not limited to, qualification certificates, land use rights certificates, construction land planning permits, construction work planning permits, construction work commencement permits, pre-sale permits and completion certificates. We must meet specific conditions in order for the government authorities to issue or renew any certificate or permit. If we fail to apply or renew the certificates in a timely manner, our operations may be adversely affected.

Before commencing their business operations, entities engage in real estate development are required to obtain a qualification certificate for real estate development enterprises (房地產開發企業資質證書). Those who engage in real estate development without obtaining qualification certificate will be ordered to cease development activities. The illegal profits shall be confiscated and a fine of five times of the illegal profits or less may be imposed. See “Regulation” for additional information.

In recent years, some of our subsidiaries were not in compliance with certain construction related PRC laws and regulations, such as commencing construction works before obtaining the requisite construction works planning permit and construction works commencement permit. As of the date of this information memorandum, we have paid the relevant penalties in full in connection with the foregoing. Although we have improved our internal control procedures and developed a standardized property development process, we cannot guarantee that we will be able to adapt to new rules and regulations that may come into effect from time to time with respect to the property industry or that we will not encounter material delays or difficulties in fulfilling the necessary conditions to obtain and/or renew all necessary certificates or permits for our operations in a timely manner, or at all, in the future. Therefore, in the event that we fail to obtain or renew, or encounter significant delays in obtaining or renewing, the necessary government approvals for any of our major property projects, we will not be able to continue with our development plans, and our business, financial condition and results of operations may be adversely affected.

We rely on third parties in certain key aspects of our business and if any of such third parties fails to deliver quality service or product in a timely manner, or if our relationships with any of them deteriorate, our reputation or business operation may be adversely affected.

We engage third parties to carry out various services relating to our property development projects, including project design, pile setting, foundation building, construction, equipment installation, elevator installation and landscaping. We generally select these third-party service providers or contractors through tender processes and also through an internal assessment of factors including their demonstrated competence, market reputation and our prior relationship with them, if any. Completion of our projects is subject to the satisfactory

performance by these third parties of their contractual obligations, including their adherence to our quality standards and the pre-agreed schedule for completion. We cannot assure you that the services rendered by any of these third parties will be satisfactory or meet our requirements for quality and safety, or that their services will be completed on time. If the performance of any third-party service provider or contractor proves unsatisfactory, or if any of them is in breach of its contractual obligations due to their financial difficulties or other reasons, we may need to replace such service provider or contractor or take other actions to remedy the situation, which could materially and adversely affect our costs, the construction progress of our projects and our reputation. We may also be subject to various customer complaints if our customers are unsatisfied with the quality of our projects after delivery due to the failure of such third-party service providers, in particular, the contractors, to meet our quality standards. Moreover, we cannot assure you that our employees will be able to consistently comply with our quality control measures, to accurately apply our quality standards or to detect all defects in the services rendered by any third-party service provider or contractor. In addition, as we are expanding our business into new geographical locations, there may be a shortage of third-party service providers or contractors that meet our standards and, as a result, we may not be able to engage a sufficient number of high quality third-party service providers or contractors in a timely manner, which may adversely affect the construction schedules and development costs of our property development projects. Furthermore, if our relationships with any of the third-party service providers or contractors deteriorates, a serious dispute with such third-party service provider or contractor may arise, which may in turn result in costly legal proceedings. The occurrence of any of the above events may have a material adverse effect on our business, financial condition, results of operations and reputation.

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

We make certain undertakings in our pre-sale contracts. Our pre-sale contracts and PRC laws and regulations provide for remedies for breach of these undertakings. For example, if we fail to deliver the development of units which we have pre-sold, we will be liable to the purchasers for their losses. If we fail to complete a pre-sold property on time, our purchasers are entitled to claim compensation for late delivery under either their contracts with us or the relevant PRC laws and regulations. If our delay extends beyond a specified period, our purchasers may terminate their pre-sale contracts and bring claims for additional compensation. A purchaser may also terminate his or her contract with us and/or bring claims for compensation for certain other contract disputes, including, for example, if the GFA of the relevant unit, as set out in the individual building ownership certificate, deviates by more than 3% from the GFA of that unit as set out in the contract; if the floor plan of the relevant unit is different from what is set out in the contract and adversely affects the quality and functionality of the unit; if the interior decoration of the relevant unit is inferior to what is set out in the contract; or if the purchaser fails to receive the individual property ownership certificate within a statutory period due to our fault.

We cannot assure you that we will not break these undertakings. Though we are typically able to claim compensation from the contractors pursuant to the terms of our contract with them if such breach is due to our third-party contractors, we also cannot assure you that we will always successfully recoup full compensation from our contractors. If we experience material delays in delivering our properties in the future or are required to pay significant amounts of compensation to purchasers of our properties due to contractual disputes or for other reasons, our results of operations may be materially and adversely affected.

Our results of operations for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 may not be representative of our future performance and certain components are subject to uncertainties and fluctuation when preparing our financial statements.

We experienced significant revenue growth in recent years. For the years ended December 31, 2014, 2015 and 2016, our revenue was RMB3,039.6 million, RMB4,310.2 million and RMB14,603.5 million, respectively. For the six months ended June 30, 2016 and 2017, our revenue was RMB5,404.5 million and RMB8,085.2 million, respectively. We cannot assure you that we will grow at a high rate, or at all, or that we will not experience a decrease in revenue. We have faced and will continue to face challenges including rising development and administrative costs and increasing competition for employees and future growth opportunities. As a result, our past results of operations may not be representative of our future performance.

Furthermore, in the application of our accounting policies, our management is required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities that are not

readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Therefore, actual results may differ from these accounting estimates. Our deferred tax assets amounted to RMB180.1 million, RMB566.6 million, RMB821.1 million, RMB921.7 million as of December 31, 2014, 2015 and 2016 and June 30, 2017, respectively. Based on our accounting policies, deferred tax assets are recognized for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses. The ultimate realization of these deferred tax assets depends on our business maintaining profitability and generating sufficient taxable profits to utilize the underlying unused tax losses. If there is a significant adverse change in our performance and resulting cashflow projections of such operation, some or all of the relevant deferred tax assets may need to be reduced and charged to the income statement, which could have an adverse effect on our financial condition and results of operations. Moreover, the realization of a deferred tax asset significantly depends on our management's judgment as to whether sufficient profits or taxable temporary differences will be available in the future.

In addition, under limited circumstances, we purchased low-risk available-for-sale investments for cash management purposes, which mainly included short-term deposits products and unlisted trust and fund investments. As of December 31, 2014, 2015 and 2016 and June 30, 2017, our available-for-sale investments amounted to RMB1.5 million, RMB1,438.0 million, nil and RMB508.6 million, respectively. The values of certain available-for-sale financial assets are marked to market, and net changes in their fair value are recorded as our operating income or loss, and therefore directly affects our results of operations. If our management evaluates that the decline in value of available-for-sale financial assets is not temporary, such decline in the value can result in the recognition of impairment losses. This evaluation is a matter of judgment by the management, which includes the assessment of various factors. We did not experience any significant change in fair value on our available-for-sale investments for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 and as we operate in a capital-intensive industry, we do not expect to purchase any material amount of available-for-sale investments in the future.

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

We have experienced an increase in labor costs in recent years, and expect such costs to continue to increase in the foreseeable future. In particular, we bear the rising costs, in particular labor costs, directly for our commercial property management business. In addition, we procure construction materials through our external contractors or by ourselves. The cost of construction materials, such as steel and concrete, may continue to fluctuate from time to time. As some of our major construction contracts are not fixed unit-price contracts, we bear the risk of fluctuations in construction material prices during the term of the relevant contract when the prices exceed certain thresholds. Additionally, increases in the cost of construction materials and labor will likely prompt our contractors to increase their fee quotes for our new property development projects. Furthermore, we typically pre-sell our properties prior to their completion and we will not be able to pass the increased costs on to our customers if costs of construction materials and labor increase subsequent to the pre-sale. The rising cost of construction materials and labor and our inability to pass cost increases on to our customers may adversely affect our results of operations.

Our provision for LAT may be insufficient which could adversely affect our financial results.

Our properties developed for sale are subject to LAT. Under PRC tax laws and regulations, all income derived from the sale or transfer of land use rights, buildings and their ancillary facilities in the PRC is subject to LAT on the appreciation of land value at progressive rates ranging from 30% to 60%. We only prepay a portion of such provisions each year as required by the local tax authorities. For the years ended December 31, 2014, 2015 and 2016, we recorded approximately RMB115.2 million, RMB206.2 million and RMB548.4 million, respectively, as LAT expenses. For the six months ended June 30, 2016 and 2017, we recorded approximately RMB390.2 million and RMB338.7 million, respectively, as LAT expenses.

We make provisions for the full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations from time to time pending settlement with the relevant tax authorities. Provisions for LAT are made on our own estimates based on, among other things, our own apportionment of deductible expenses which is subject to final confirmation by the relevant tax authorities upon settlement of the LAT. However, given the time gap between the point at which we make provision for and the point at which we settle the full amount of LAT payable, the relevant tax authorities may not necessarily agree with our own apportionment of deductible expenses or other bases on which we calculate LAT. If the relevant tax authorities determine that our LAT liabilities exceed our LAT prepayments and provisions and seek to collect that excess amount, our cash flow, financial condition and results of operations may be materially and adversely affected.

Our property development business is subject to customer claims under statutorily mandated quality warranties.

All property development companies in the PRC, including us, must provide certain quality warranties for the properties they construct or sell. See “Business — Our Project Operation and Management — Project Delivery and After-Sales Services — Warranties” for more details. We have received customer claims in relation to the quality of our projects in the past and we expect to continue to receive customer claims of this nature in the future. Generally, we coordinate with the relevant third-party contractors to respond to such customer claims as most of such complaints were mainly due to the customers’ dissatisfaction with the quality of properties they have purchased. Subject to the agreements we enter into with our third-party contractors, we typically receive quality warranties from our third-party contractors to cover claims that may be brought against us under our warranties.

Although we believe that each of these claims is immaterial by nature or amount, we cannot assure you that we will not face any significant customer claims in the future. 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 money retained by us to cover our payment obligations under the quality warranties is not sufficient, we could incur significant expenses to resolve such claims or face delays in correcting the related defects, which could in turn harm our reputation and could have a material and adverse impact on our business, financial condition and results of operations.

We may be liable to our customers for damages if we do not deliver ownership certificates in a timely manner.

Property developers or sellers in the PRC are required to assist purchasers in obtaining the relevant individual property ownership certificates (if applicable, the real estate rights certificate) within a time frame set out in the relevant sale and purchase agreement, or in the absence of such time frame, within 90 days of delivery of the property if the construction of the property purchased has not been completed, or within 90 days of execution of the agreement if the construction of the property purchased has been completed. In accordance with local regulations for pre-sold properties, we are required to submit the documents required for registration, including land use rights certificates and planning and construction permits, to the local bureau of housing administration to apply and register the ownership certificate of the project property (the general property ownership certificates, owned by the developers) within relevant necessary periods after receipt of the completion and acceptance certificate for the relevant properties. Purchasers may then submit or authorize us to submit, within 30 days of delivery of the properties, the relevant property sale and purchase agreements, identification documents of the purchasers, proof of payment of the deed tax, the general property ownership certificates and the authorization letter and relevant documents, if applicable, for the bureau’s review and the issuance of the individual property ownership certificates with respect to the properties purchased. Delays by administrative authorities in reviewing the relevant applications and granting approvals, as well as other factors, may affect timely delivery of the general as well as individual property ownership certificates. Should a late delivery of any individual building ownership certificate be due to delays that are deemed to be caused by us, the purchaser would be able to terminate the property sale and purchase agreement, reclaim the payment and/or claim damages, any of which could materially and adversely affect our business, financial condition and results of operations. Our reputation may also be harmed as a result.

We may be subject to fines or sanctions by the PRC government if we fail to pay land grant premium or fail to develop properties according to the terms of the land grant contracts.

Under PRC laws and regulations, if a developer fails to develop land according to the terms of the land grant contract (including those relating to the payment of fees, the designated use of land and the time for commencement and completion of development of the land), the relevant government authorities may issue a warning to, or impose a penalty on, the developer or require the developer to forfeit the land use rights. Any violation of the terms of the land grant contract may also restrict a developer’s ability to participate, or prevent it from participating, in future land bidding. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, none of our subsidiaries had experienced delay in payment of land premium. We cannot assure you, however, that we will not experience delays in making land premium payment in the future. If we incur late payment fees in the future, our business, financial condition and results of operations may be materially and adversely affected.

Specifically, under current PRC laws and regulations, if we fail to pay any outstanding land grant premium by the stipulated deadlines, we may be subject to late payment penalties or the repossession of the land

by the government. 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 an investigation notice on us and impose an idle land fee on the land of up to 20% of the land grant premium. If we fail to commence development within two years from the commencement date stipulated in the land grant contract, the land use rights are subject to forfeiture to the PRC government unless the delay in development is caused by government actions or force majeure. Moreover, even if we commence development of the land in accordance with the land use rights grant contracts, if the developed land area is less than one-third of the total land area, or if the total capital expenditure on land development is less than one-fourth of the total amount expected to be invested in the project as promulgated in the project proposal submitted to the government at the project registration stage, including the purchase price of the land, and the development of the land is suspended for over one year without government approval, the land may still be treated as idle land. See “Regulation.”

There are specific enforcement rules on idle land and other aspects of land use rights grant contracts in many cities in China, and the local authorities are expected to enforce such rules in accordance with instructions from the central government of China. Where a holder of the right to use a plot of State-owned land for construction conducts malicious hoarding or speculation of the land, current measures in place require the competent land authorities not to accept any application for new land use rights or process any title transfer transaction, mortgage transaction, lease transaction or land registration application in respect of any idle land before such holder completes the required rectification procedures. We cannot assure you that circumstances leading to the repossession of land or delays in the completion of a property development will not arise in the future. If our land is repossessed, we will not be able to continue our property development on the forfeited land, recover the costs incurred for the initial acquisition of the repossessed land or recover development costs and other costs incurred up to the date of the repossession. In addition, we cannot assure you that regulations relating to idle land or other aspects of land use rights grant contracts will not become more restrictive or punitive in the future. If we fail to comply with the terms of any land use rights grant contract as a result of delays in project development, or as a result of other factors, we may lose the opportunity to develop the project, as well as our past investments in the land, which could materially and adversely affect our business, financial condition and results of operations.

We may be subject to fines due to the lack of registration of our leases.

Pursuant to relevant PRC regulations, parties to a lease agreement are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, we leased certain properties from independent third party landlords mainly for our office premises. As of December 19, 2017, we failed to register 30 leases we entered into as tenants for properties with a total GFA of 17,721 sq.m., representing approximately 52.2% of total GFA of properties we leased. The failure to register the lease agreements does not affect the validity of the lease agreements under the relevant PRC laws and regulations, or our rights or entitlements to lease out the investment properties to tenants. However, we may be required by relevant government authorities to file the lease agreements to complete the registration formalities and may be subject to a fine for non-registration within the prescribed time limit, which may range from RMB1,000 to RMB10,000 per lease agreement. The imposition of the above fines could require us to make additional efforts and/or incur additional expenses, any of which could materially and adversely impact our business, financial condition and results of operations. The registration of these lease agreements to which we are a party requires additional steps to be taken by the respective other parties to the lease agreement which are beyond our control. We cannot assure you that the other parties to our lease agreements will be cooperative and that we can complete the registration of these lease agreements and any other lease agreements that we may enter into in the future.

The total GFA of some of our developments may exceed the original permitted GFA and the excess GFA is subject to governmental approval and will require us to pay additional land premium.

The permitted total GFA for a particular development is set out in various governmental documents issued at various stages. In many cases, the underlying land grant contract will specify permitted total GFA. Total GFA is also set out in the relevant urban planning approvals and various construction permits. According to the regulations of many local governments, if constructed total GFA unreasonably exceeds the permitted total, or if the completed development unreasonably contains areas that authorities believe do not conform to the approved plans as set out in relevant construction works planning permit, we may not be able to obtain the acceptance and compliance form of construction completion (竣工驗收備案表) for our development, and, as a consequence, we would not be able to deliver individual units to purchasers or to recognize the related pre-sale proceeds as revenue. Moreover, excess GFA requires additional governmental approval, and the payment of additional land

premium. If issues related to excess GFA cause delays in the delivery of our products, we may also be subject to liability to purchasers under our sales and purchase agreements. We cannot assure you that constructed total GFA for each of our existing projects under development or any future property developments will not exceed permitted total GFA, or that the authorities will determine that all built-up areas conform to the plans approved as set out in the construction permit. Moreover, we cannot assure you we have sufficient funding to pay any required additional land premium or take remedial action that may be required in a timely manner, or at all. Any of these factors may materially and adversely affect our reputation, business, financial condition and results of operations.

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

The appraised value of our properties was prepared by the property valuer based on multiple assumptions containing elements of subjectivity and uncertainty, including, among other things, that:

- we sell the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests;
- no allowance has been made for any charges, mortgages or amounts owing neither on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale;
- We have paid all land premium payments and other costs such as resettlement and ancillary utilities services in full and there is no requirement for payment of any further land premium or other onerous payments to the government; and
- our properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In addition, the appraised value of our investment properties is based on key assumptions including their market position, levels of reversionary capitalization rate, rent and/or price. Under IFRS, gains or losses arising from changes in the fair value of our investment properties are included in our combined statements of comprehensive income in the period in which they arise. However, fair value gains do not change our overall cash position or our liquidity as long as we continue to hold such investment properties.

Even though the property valuer adopted valuation methodologies used in valuing similar types of properties when preparing the property valuation report, the assumptions adopted may prove to be incorrect. As a result, the appraised values of our properties may differ materially from the price we could receive in an actual sale of the properties in the market and should not be taken as their actual realizable value or a forecast of their realizable value. Unforeseeable changes to the development of the property development projects, as well as national and local economic conditions, may affect the value of our properties.

The illiquidity of property investments and the lack of alternative uses for investment properties could limit our ability to respond to adverse changes in the performance of our properties.

We strategically retain certain high quality commercial properties as investment properties to generate rental income or for land appreciation purpose. As of June 30, 2017, we had investment properties amounting to RMB7,788.1 million. Our investment property portfolio may increase in the future. Investment properties are generally illiquid and our ability to sell our investment properties in response to changing economic, financial and investment conditions is limited. We cannot assure you that we will be able to sell any of our investment properties at prices or on terms satisfactory to us, if at all. We cannot predict the length of time needed to find purchasers to purchase such investment properties. In addition, should we decide to sell an investment property which is subject to a lease agreement, we may have to obtain consent from or pay termination fees to the tenants. We may also need to incur capital expenditure to manage and maintain our properties, or to correct defects or make improvements to these properties before selling them. We cannot assure you that financing for such expenditures would be available when needed, or at all.

Furthermore, aging of investment properties, changes in economic and financial condition, beyond our control, such as changes in interest rates, or changes in the competitive landscape in the PRC property market may adversely affect the amount of rental income we generate from, as well as the fair value of, our investment properties, either completed or under development. However, our ability to convert any of our investment properties to alternative uses is limited as such conversion requires extensive governmental approvals in the PRC and involves substantial capital expenditures for the purpose of renovation, reconfiguration and refurbishment. We cannot assure you that such approvals and financing can be obtained when needed. These and other factors that impact our ability to respond to adverse changes in the performance of our investment in properties may adversely affect our business, financial condition and results of operations.

Our financial conditions and results of operations may be materially impacted by gains or losses arising from changes in the fair value of our investment properties.

We are required to reassess the fair value of any investment properties that we hold. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Gains or losses arising from changes in the fair value of any such investment properties will affect our results of operations in the period in which they arise and the impact may be significant. The fair value gains on our investment properties in 2014, 2015 and 2016 and in the six months ended June 30, 2016 and 2017 were RMB585.1 million, RMB772.8 million, RMB594.2 million, RMB425.7 million and RMB49.6 million, respectively. In addition, if fair value gains on investment properties after tax was excluded, we would incur a net loss of RMB358.7 million and RMB160.7 million for the years ended December 31, 2014 and 2015, respectively, and would recognize a net profit of RMB797.6 million, RMB239.9 million and RMB339.4 million for the year ended December 31, 2016 and the six months ended June 30, 2016 and 2017, respectively. We cannot assure you that we can recognize comparable fair value gains in investment properties in the future and we may also recognize fair value losses, which would impact our results of operations for future periods. Fair value gains in investment properties would not change our cash position as long as these properties are held by us, and thus would not increase our liquidity in spite of the increased profit. On the other hand, fair value losses in investment properties would have a negative effect on our results of operations, even though such losses would not change our cash position as long as these properties are held by us.

Our property leasing and commercial property management businesses might subject us to a variety of risks.

Property leasing and commercial property management income from our investment properties constitute integral parts of our business and turnover. We are subject to risks incidental to the ownership and operation of commercial properties, including volatility in market rental rates and occupancy levels, competition for tenants, costs resulting from on-going maintenance and repair and inability to collect rent from tenants or renew leases with tenants due to bankruptcy, insolvency, financial difficulties or other reasons. In addition, we may not be able to renew leases with our tenants on terms acceptable to us, or increase rental rates to a level of the then prevailing market rate, or at all, upon the expiry of the existing terms. Likewise, we may not be able to enter into new leases at rental rates as expected. All these factors could negatively affect the demand for our investment properties, and as a result, decrease our rental income, which may have an adverse effect on our business, financial condition and results of operations.

The performance of our commercial property management business depend on various factors, including our ability to provide professional and quality property management services, collect property management fees and control costs, in particular, labor costs. We are generally paid fixed management fees for our services regardless of the actual cost we incur. In addition, for properties that are not owned by us, in order to raise our management fees, we are required to complete certain administrative procedures, including obtaining approvals of the property owner's general meeting. Management fees may also be subject to price range set by applicable government guidance. In the event that the property management fees we charge are insufficient to cover our costs and if we are unable to increase such fees in response to cost increases, there could be adverse effect on our financial condition and results of operations. Additionally, if we seek to reduce costs, we may not be able to maintain the quality of our property management services, which may similarly affect our reputation, business financial condition and results of operations.

Furthermore, there are inherent risks of accidents, injuries or prohibited activities (such as illegal drug use, gambling, violence or prostitution by guests and infringement of third parties' intellectual property or other rights by our tenants) taking place in public places, such as shopping malls. The occurrence of one or more

accidents, injuries or prohibited activities at any of our investment properties could adversely affect our reputation among customers and guests, harm our brand, decrease our overall rents and occupancy rates and increase our costs by requiring us to implement additional safeguard measures. In addition, if accidents, injuries or prohibited activities occur at any of our investment properties, we may be held liable for costs, damages and fines. Our current property and liability insurance policies may not provide adequate or any coverage for such losses and we may be unable to renew our insurance policies or obtain new insurance policies without increases in premiums and deductibles or decreases in coverage levels, or at all.

We guarantee the mortgage loans of our customers and may be liable to the mortgagee banks if our customers default on their mortgage payments.

We derive the substantial portion of our revenue from sale of our properties and most of our purchasers apply for bank borrowings and mortgages to fund their purchases. Therefore, the availability of mortgages to our prospective purchasers would significantly affect our financial condition and results of operations. In accordance with industry practice, commercial banks require us to guarantee mortgage loans offered to purchasers of the properties that we develop. Typically, we guarantee mortgage loans for purchasers up until (i) we complete the relevant properties and the property ownership certificates and the mortgage are registered in favor of the mortgagee bank or (ii) the settlement of mortgage loans between the mortgagee bank and the purchaser, whichever is earlier.

The guarantees cover the full value of mortgages that purchasers of our properties have obtained to finance their purchases and any additional payments or penalties imposed by mortgagee banks for any defaults in mortgage payments by the purchasers. If a customer defaults on payment of its mortgage, the mortgagee bank may require that we immediately repay the entire outstanding balance of the mortgage and any additional payments or penalties pursuant to the guarantee. Upon satisfaction of our obligations under the guarantee, the mortgagee bank would then assign its rights under the loan and the mortgage to us and we would then have full recourse to the property. In line with industry practice, we do not conduct any independent credit checks on our customers and rely on the credit evaluation conducted by the mortgagee banks on such customers. These are contingent liabilities not reflected on our balance sheets.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, our outstanding guarantees over the mortgage loans of our customers amounted to RMB4,851.7 million, RMB11,775.8 million, RMB18,129.5 million and RMB21,486.4 million, respectively. Since 2014, we only encountered 29 incidents of default by purchasers which resulted in our Group having to repay all outstanding amounts, in aggregate, of RMB9.1 million owed by the purchasers to the mortgagee banks under the loans. We cannot assure you that defaults by purchasers will not occur or that the rate of such defaults will not increase in the future. If a significant amount of our guarantees are called upon at the same time or in close succession, if there is a material depreciation in the market value of the relevant properties, or if we cannot resell such properties due to unfavorable market conditions or for other reasons, our financial condition and results of operations may be materially and adversely affected.

Certain portions of our property development projects and investment properties are designated as civil air defense properties.

According to the PRC laws and regulations, new buildings constructed in cities should contain basement areas that can be used for civil air defense purposes in times of war. Under the PRC Civil Air Defense Law 《中華人民共和國人民防空法》) promulgated by the NPC on October 29, 1996, as amended on August 27, 2009 and Management Measures for Peacetime Development and Usage of Civil Air Defense Properties (人民防空工程平時開發利用管理辦法) promulgated by the House Civil Air Defense Office on November 2001, after obtaining the approval from the civil air defense supervising authority, a developer can manage and use such areas designated as civil air defense properties at other time and generate profits from such use. In recent years, we had entered into contracts to transfer the right to use civil air defense properties in our property development projects to our customers as car parks (the “**Designated Car Parks**”) and we intend to continue such transfer. However, in times of war, such areas may be used by the government at no cost. In the event of war and if the civil air defense area of our projects is used by the public, we may not able to use such area as car parks, and such area will no longer be a source of our revenue. In addition, while our business operations have complied with the laws and regulations on civil air defense property in all material aspects, we cannot assure you that such laws and regulations will not be amended in the future which may make it more burdensome for us to comply with and increase our compliance cost.

Changes in interest rates have affected and will continue to affect our financing costs and, ultimately, our results of operations.

We have incurred and expect to continue to incur a significant amount of interest expenses relating to our borrowings from commercial banks and trust financing providers. Accordingly, changes in interest rates have affected and will continue to affect our financing costs, which in turn may affect our profitability and operating results. As our borrowings are in RMB, the interest rates on our borrowings are primarily affected by the benchmark interest rates set by the PBOC, which have gradually decreased in recent years. The weighted average effective interest rates on our total borrowings has decreased from 12.5% as of December 31, 2014 to 11.6% as of December 31, 2015, to 8.5% as of December 31, 2016 and further to 7.3% as of June 30, 2017. Most of the interest costs incurred were capitalized. Capitalized interest in 2014, 2015 and 2016 and the six months ended June 30, 2017 were RMB2,914.6 million, RMB3,539.2 million, RMB2,640.0 million and RMB1,211.2 million, respectively. Any future increases in the PBOC benchmark interest rate as a result of government policies may lead to higher lending rates, which may increase our financing costs and thereby adversely affect our business, financial condition and results of operations.

We may be adversely affected by material issues that affect our relationships or business ventures with our joint venture partners.

We have entered into joint ventures with third parties and may continue to do so in the future. The performance of such joint ventures has affected, and will continue to affect, our results of operations and financial position. As of June 30, 2017, we recorded amounts due from related companies of RMB1,709.2 million. We and our joint venture partners provided such amounts to our joint venture project companies in proportion to our shareholding percentages in order to fund such project companies' land acquisition efforts and working capital requirements. Once these project companies commence pre-sale and generate cash flow, they will repay such amounts to us on demand. Therefore, the timing of such joint ventures' capital requirements, the financial performance of our joint ventures and their ability to repay may materially and adversely affect our results of operations. We generally expect to incur share of loss in such joint ventures until their respective development of property projects completes and starts to contribute revenue. As of December 31, 2014, 2015 and 2016 and June 30, 2017, our investments in joint ventures amounted to nil, nil, RMB46.9 million and RMB1,268.6 million, respectively.

The success of a joint venture depends on a number of factors, some of which are beyond our control. As a result, we may not be able to realize the anticipated economic and other benefits from our joint ventures and associated companies. In addition, in accordance with PRC law, our joint venture agreements and the articles of association of our joint ventures and associated companies, certain matters relating to joint venture require the consent of all parties to the joint ventures and associated companies. Therefore, such joint venture agreements involve a number of risks, including:

- we may not be able to pass certain important board resolutions requiring unanimous consent of all of the directors of our joint ventures and associated companies if there is a disagreement between us and our joint venture partners;
- we may disagree with our joint venture partners in connection with the scope or performance of our respective obligations under the joint venture arrangements;
- our joint venture partners may be unable or unwilling to perform their obligations under the joint venture arrangements with us, including their obligation to make required capital contributions and shareholder loans, whether as a result of financial difficulties or other reasons;
- our partners may have economic or business interests or goals or philosophies that are inconsistent with ours;
- our partners may take action contrary to our requests or instructions or contrary to our policies or objectives with respect to our property investments; or
- our partners may face financial or other difficulties affecting their ability to perform their obligations under the relevant joint venture arrangements with us.

In addition, since we do not have full control over the business and operations of our joint ventures and associated companies, we cannot assure that they have been, or will be in strict compliance with all applicable PRC laws and regulations. We cannot assure you that we will not encounter problems with respect to our joint ventures and associated companies or our joint ventures and associated companies will not violate PRC laws and regulations, which may have a material adverse effect on our business, results of operation and financial condition.

We are a holding company and rely primarily on dividends paid by our subsidiaries and joint ventures to fund any cash and financing requirements we have, and our ability to pay dividends and utilize cash resources in our subsidiaries and joint ventures depend on their earnings and distributions.

We are a holding company and we conduct our business operations primarily through our subsidiaries and joint ventures in China. Our ability to make dividend payments and other distributions in cash, pay expenses, service indebtedness incurred and finance the needs of other subsidiaries depends upon the receipt of dividends, distributions or advances from our subsidiaries. The ability of our subsidiaries and joint ventures to pay dividends or other distributions may be subject to their earnings, financial position, cash requirements and availability, applicable laws and regulations and restrictions on making payments to us contained in financing or other agreements. If any of our subsidiaries or joint ventures incurs indebtedness in its own name, the instruments governing the indebtedness may restrict dividends or other distributions on its equity interest to us. These restrictions could reduce the amount of dividends or other distributions that we receive from these entities, which could in turn restrict our ability to fund our business operations. In addition, their declaration of dividends will be at the absolute discretion of the boards of our subsidiaries and joint ventures.

Furthermore, payments of dividends by our subsidiaries and joint ventures are subject to restrictions under PRC laws. In addition, our subsidiaries or joint ventures may be restricted from making distributions to us due to restrictive covenants contained in agreements, such as bank credit facilities and joint venture agreements, to which they may be subject. Any of the above factors may affect our ability to pay dividends and to service our indebtedness. As we expect to continue to invest in subsidiaries and joint ventures for the development of property projects, our liquidity may be further restricted if we are not able to receive dividends from our existing or future subsidiaries or joint ventures, which could materially and adversely affect our ability to conduct our business.

Our success depends on the continued services of our senior management team and other qualified employees.

Our continued success and growth depends on our ability to identify, hire, train and retain suitably skilled and qualified employees, including management personnel, with relevant professional skills. The services of our Directors and members of senior management are essential to our success and future growth. The loss of a significant number of our Directors and senior management could have a material adverse effect on our business if we are unable to find suitable replacements in a timely manner. We may not be able to successfully attract, assimilate or retain all of the personnel we need. We may also need to offer superior compensation and other benefits to attract and retain key personnel and therefore cannot assure you that we will have the resources to fully achieve our staffing needs. In addition, if any Director or any member of our senior management team or any of our other key personnel were to join a competitor or carry on a competing business, we may lose customers and key professionals and staff members. Due to the intense competition for management and other personnel in the PRC property sector, any failure to recruit and retain the necessary management personnel and other qualified employees could have a material adverse impact on our business and prospects.

Deterioration in our brand image or any infringement of our intellectual property rights may materially and adversely affect our business.

We rely, to a significant extent, on our “Zhenro (正榮)” brand name and image to attract potential customers to our properties. Any negative incident or negative publicity concerning us or our properties may materially and adversely affect our reputation, financial position and business, results of operations. Brand value is based largely on consumer perceptions with a variety of subjective qualities and can be damaged even by isolated business incidents that degrade consumers’ trust. Consumer demand for our properties and our brand value could diminish significantly if we fail to preserve the quality of our properties or fail to deliver a consistently positive consumer experience, or if we are perceived to act in an unethical or socially irresponsible manner. Any negative publicity and the resulting decrease in brand value, or any failure to establish our brand in provinces and cities in which we currently operate, may have a material adverse effect on our business, financial

position and results of operations. In addition, any unauthorized use or infringement of our brand name may impair our brand value, damage our reputation and materially and adversely affect our business and results of operations.

We may be subject to fines or penalties if we fail to comply with any applicable laws, rules or regulations.

Historically, we experienced certain non-compliance incidents. One of our project companies was penalized for underpaid corporate income tax in the years of 2011 and 2012. In addition, we commenced or proceeded with construction works with respect to certain of our property projects before completing requisite administrative procedures and/or obtaining requisite permits. We also experienced non-compliance in connection with certain defective land parcels during the development of Nanchang Zhenro The Capital of Great Loch, on which we developed residential properties that had been completed and delivered to our customers. We also experienced non-compliance regarding relevant regulations on advertising, sales contract and price thereof. We were subject to penalties or ordered to rectify such non-compliances, as the case may be. As of the date of this information memorandum, we had paid all the penalties. We believe these non-compliances did not have a material operational and financial impact on us. There is no assurance that our internal control measures will be effective and there will not be any non-compliance incidents in the future. In addition, PRC laws, rules or regulations governing our industry have been evolving rapidly, and we cannot assure you that we will not be subject to fines or penalties arising from non-compliance incidents if we fail to adapt to the new regulatory regime in a timely manner, or at all, which may have a material adverse effect on our business, financial condition and results of operations.

Compliance with PRC laws and regulations regarding environmental protection may result in substantial costs and delays in construction schedule.

We are subject to a variety of laws and regulations concerning the protection of health and the environment and preservation of antiquities and monuments which imposes. Compliance with such laws and regulations may result in delays in our construction work, may cause us to incur substantial compliance and other costs and can severely restrict project development activities in environmentally sensitive regions or areas. See “Business — Environmental Matters” for details.

As required by PRC laws and regulations, property projects with a GFA in excess of 50,000 sq.m. or in environmentally sensitive regions or areas are required to undergo environmental assessments and the related assessment document must be submitted to the relevant government authorities for approval before commencement of construction. For other property projects, we are required to file the environmental impact registration form for approval. If we fail to meet such requirements, the local authorities may issue orders to terminate our construction activities and may impose a penalty in the range of RMB50,000 to RMB200,000. After completion of construction, we are required to apply for environment protection acceptance check for completed property projects. Relevant government authorities will entrust an evaluation authority to investigate property projects with a GFA in excess of 50,000 sq.m. for other property projects, we are required to file the environmental protection acceptance check registration card.

We cannot assure you that we will be able to comply with all such requirements with respect to environmental assessments. It is possible that the environmental assessments conducted may not reveal all environmental liabilities or their full extent, and there may be material environmental liabilities of which we are unaware. In the event of a termination of construction and/or imposition of a fine as a result of our non-compliance, our financial condition may be materially and adversely affected.

Current insurance coverage may not be adequate to cover all risks related to our operations.

In line with industry practice, we do not maintain any insurance policies for our residential property development projects. We generally maintain property insurance for our commercial property projects held for investment. In addition, we require the general contractors of our development projects to maintain insurance policy in accordance with the contracting agreements. Furthermore, we do not maintain insurance covering construction-related property damage or personal injuries of third parties.

In addition, we do not maintain insurance against any liability arising from allegedly tortious acts committed on our work sites. We cannot assure you that we will not be sued or held liable for damage arising from, or in connection with, any such tortious acts. Moreover, there are certain losses for which insurance is not available on commercially practicable terms, such as those suffered due to earthquakes, typhoons, floods, wars, civil disorders and other events of force majeure. If we suffer any loss, damage or liability in the course of our

business operations, we may not have sufficient funds to cover such loss, damage or liability or to replace any property development that has been destroyed. In addition, any payment we make to cover any loss, damage or liability could have a material adverse effect on our business, financial condition and results of operations.

We may be involved in legal and other disputes from time to time arising out of our operations, including any disputes with our contractors, suppliers, employees, tenants or other third parties, and may face significant liabilities as a result.

We have and may from time to time be involved in disputes with various parties involved in the development, sale, leasing and management of our properties, including contractors, suppliers, construction workers, purchasers and tenants. These disputes may lead to protests or legal or other proceedings and may result in damage to our reputation, substantial costs to our operations, and diversion of our management's attention. In addition, we may disagree with regulatory bodies in certain respects in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in liabilities and cause delays to our property developments. For example, in October 2017, our subsidiary, Shanghai Yupin, received a subpoena from the local people's court for an alleged breach of contract. For more details, see "Business — Legal Proceedings and Material Claims." For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, we were not involved in any lawsuit that have a material adverse effect on our business, financial condition and results of operations. However, we cannot assure you that we will not be involved in any major legal proceedings in the future. Any involvement on these disputes may materially and adversely affect our business, financial condition and results of operations.

Our operations are dependent on a limited number of major suppliers.

Our suppliers are mainly construction contractors and construction material suppliers. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, we were dependent on a limited number of major suppliers to operate our businesses. Some of our general contractors and sub-contractors are local level operating entities owned or controlled by group companies in China. Although we transacted with such local level operating entities on an individual basis, we aggregated the purchases from such entities and counted each of the relevant group companies as a major supplier. As such, the five largest suppliers, substantially all of whom were general contractor group companies in China, accounted for approximately 43.0%, 55.2%, 41.0% and 46.5% of our total purchases for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, respectively. Our single largest supplier for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 accounted for approximately 30.0%, 31.1%, 22.5% and 28.7% of our total purchases, respectively.

If a large number of our current major suppliers decide to terminate business relationships with us or, if the services or raw materials supplied by our current suppliers fail to meet our standards, or if our current service or raw material supplies are interrupted for any reason, we may not be able to easily switch to other qualified suppliers in a timely fashion, which may materially and adversely affect our business and financial results.

False advertising of our properties may lead to penalties, undermine our sales and marketing efforts, deteriorate our brand name, and have a material adverse effect on our business.

As a property developer in the PRC, we are subject to a variety of laws and regulations concerning the marketing and promotion of our property development projects, our business and our brand image. If any of our advertisements are considered to be untruthful, we will be subject to penalties and will be required to cease publishing the advertisement and eliminate adverse effects by publishing notice in the same media or media with equivalent significance to correct the previous false advertisements and clarify the truth. In addition, any false advertising may cast doubt on our other disclosures, advertisements, filings and other publications, deteriorate our brand name and reputation, and consequently materially and adversely affect our business, financial condition and results of operations.

Our business, financial condition, results of operations and prospects may be adversely affected as a result of negative media coverage relating to us or the real estate market in which we operate or intend to operate.

We may be subject to and associated with negative publicity, including those on the Internet, with respect to our corporate affairs and conduct related to our personnel, the real estate market we operate or intend to operate. We may also be subject to negative reports or criticisms by various media, including in relation to incidents of fraud and bribery. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Nonetheless, any negative coverage, whether or not related to

us or our related parties and regardless of truth or merit, may have an impact on our reputation and consequently, may undermine the confidence of our customers and investors, which may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

RISKS RELATING TO OUR INDUSTRY

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

Our business is subject to extensive governmental regulation and, in particular, we are sensitive to policy changes in the PRC property sector. The PRC government exerts considerable direct and indirect influence on the growth and development of the PRC property market through industry policies and other economic measures such as setting interest rates, controlling the supply of credit by changing bank reserve ratios and implementing lending restrictions, increasing tax and duties on property transfers and imposing restrictions on foreign investment and currency exchange. Since 2004, the PRC and local governments introduced a series of regulations and policies designed to generally control the growth of the property market, including, among others:

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

In particular, the PRC and local governments also introduced the following policies, among others, to specifically restrain property purchases for speculation purposes and refrain property prices from rising too quickly in certain cities:

- limiting the maximum amount of monthly mortgage and the maximum amount of total monthly debt service payments of an individual borrower;
- imposing a business tax levy on the sales proceeds for second-hand transfers subject to the length of holding period and type of properties;
- raising the minimum percentage of down payment of the purchase price of the residential property of a family;
- restricting purchasers from acquiring second (or more) residential property and imposing property purchase restrictions on non-local residents that cannot provide any proof of local tax or social security payments for more than a specified time period in certain cities; and
- restricting the availability of individual housing loans in the property market to individuals and their family members with more than one residential property, and raising interest rates of such loans.

These and other measures, including additional requirements for pre-sales and restricting the use of funds raised by pre-sales, made the properties we developed more costly, unattractive or even unavailable to certain of our customers. In addition, since January 2010, policies implemented by the PRC government with regard to bank loans and trust financing arrangements for property development projects have had, and may continue to have, a dampening effect on the property markets in which we operate. These measures resulted in downward pressure on the PRC property market starting in the second half of 2011 and reduced transaction volumes in the first quarter of 2012.

Following the market fluctuations in the face of temporary easing of some restrictions by local governments in the second and third quarters of 2012, the property price and transaction volume increased in the last quarter of 2012 and the first quarter of 2013. On February 26, 2013, the General Office of the State Council announced the Notice on Further Regulation 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》). According to such notice, local governments shall increase the supply of housing properties and lands, and set price control targets in cities with rapidly increasing property prices. In addition, the notice also requires the local government to strictly implement existing purchase restrictions and differentiated credit policies with regard to the down payment ratios and interest rates for mortgages for second (or more) residential property. If the property prices increase too quickly, the local government may further increase interest rates and down payment ratio for mortgages for second (or more) properties. For cities with existing purchase restrictions, the city municipals shall impose further restrictions. For cities with no purchase restrictions, the provincial governments must require these cities to promptly adopt purchase restrictions. The tax, building and construction authorities are required to coordinate to ensure that the 20% individual income tax on the difference between the sales proceeds and the original purchase price for the sale of second-hand properties is strictly implemented. These policies aim to serve to restrain the trend of excessive increase in housing prices. At the end of 2013, a new round of policies aimed at promoting affordable housing and discouraging speculative investments in residential properties was announced in a number of large cities in China, including Beijing, Shanghai, Guangzhou, Shenzhen, Zhengzhou, Nanchang, Fuzhou, Xiamen, Nanjing and Hangzhou.

The PRC government has eased certain restrictive measures starting in the third quarter 2014 to foster the growth of the residential property market in China, encourage transactions and reduce idle housing inventory. However, such action has resulted in the property markets in first- and certain second-tier cities showing signs of overheating. As a response, in certain first- and second- tier cities including Shanghai, Shenzhen, and Suzhou, local governments have again enhanced restrictive measures such as raising the minimum percentage of down payment of the purchase price of the second (or more) residential property of a family, requiring longer social insurance records in such cities for citizens whose household registration were not in such cities, and restriction on the percentage of price increases by real estate developers during a year. In 2015, the PRC government raised percentage of down payment and changed the calculation base of business tax concerning transfer of individual housing, pursuant to which, where an individual sells a property purchased within two years, business tax shall be levied on the full amount of the sales income; where an individual sells a non-ordinary property that was purchased more than two years ago, business tax shall be levied on the difference between the sales income and the original purchase price of the house; the sale of an ordinary residential property purchased by an individual more than two years ago is not subject to such business tax. In 2016, such tax policies has been further refined.

On February 13, 2017, the Asset Management Association of China issued Circular 4 of Regulation for Registration Management of Private Asset Management Plan by Securities and Future Institutions (the “**Circular 4**”). Circular 4 provides that any private equity and asset management plan that is adopted to make either direct or indirect investment into any ordinary residential property project located in certain PRC cities where the property price rises too fast shall not be filed for a record temporarily. Such cities currently include 16 major cities in the PRC, such as Shanghai, Hefei, Nanjing, Suzhou, Tianjin, Fuzhou, Wuhan and Zhengzhou, and the list of such cities may be updated from time to time in the future according to the relevant regulations of the Ministry of Housing and Urban-Rural Development of the PRC. In addition, a private equity and asset management plan shall neither be used to finance any real estate developer by means of bank entrusted loans, trust plans, or usufruct of transferee assets, for the purpose of paying the price of land grant or supplementing the working capital, nor be used to directly or indirectly facilitate any violation or illegality of various institutions’ granting of loans for down payments.

In March 2017, local governments in certain major cities in the PRC, such as Beijing, Hangzhou and Hebei, introduced further policies to restrain property purchases for specialization purposes and refrain property prices from rising too quickly. Such policies include suspending the provision of individual housing loans with the term of more than 25 years, raising the minimum percentage of down payment of the purchase price and strictly restricting purchasers from acquiring second (or more) residential property. On April 1, 2017, the Ministry of Land and Resources and Ministry of Housing and Urban-Rural Development issued the Circular of the Ministry of Housing and Urban-Rural Development and the Ministry of Land and Resources on Tightening the Management and Control over Intermediate Residential Properties and Land Supply 《住房城鄉建設部、國土資源部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》). To maintain a housing supply-demand balance, cities facing serious demand over supply and overheating market shall increase the supply of housing land, especially for ordinary commercial houses; and cities with excessive housing supply shall reduce or suspend the land supply for housing. All the local governments shall build an inspection system to monitor the source of funds for land acquisition to ensure that the real estate developers use their own legal funds to purchase

lands. These measures reduced the transaction volumes in certain major cities in the PRC in the second quarter of 2017.

In July 2017, NDRC, CSRC, Ministry of Finance, Ministry of Housing and Urban-Rural Development, Ministry of Public Security, MLR, SAT, SAIC and PBOC jointly issued the Notice on Accelerating the Development of Renting Market in Large and Medium-sized Cities with Influx 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》), promoting the development of renting market through multiple channels, such as increasing the land banks to be granted for renting houses, encouraging the ancillary renting houses in new commodity properties.

There are no assurance that the PRC government will relax existing restrictive measures, impose and enhance restrictive measures, or to impose other restrictive policies, regulations or measures in the future. The existing and other future restrictive measures may limit our access to capital, reduce market demand for our products and increase our finance costs, and any easing measures introduced may also not be sufficient. We currently do not expect the impacts on our overall operation of the abovementioned new restrictive policies, regulations and measures be significant because we are able to modify our operating strategies among different regions accordingly as we currently operate in 15 cities in China and such restrictive policies are mainly effective in particular cities. 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 negatively impact our business, our financial condition, results of operations and prospects may be materially and adversely affected.

The PRC property market industry is highly competitive.

There are a large number of property developers in the PRC and we expect the level of competition to increase over time, especially as new players enter the market and existing players expand, merge, reorganize and become more established. Intense competition among property developers in China for land, financing, construction materials and skilled management and human resources may result in increased cost for land acquisition and construction, an oversupply of properties available for sale, a decrease in property prices, a slowdown in the rate at which new property developments are approved or reviewed by the relevant PRC government authorities and an increase in administrative costs for hiring or retaining qualified contractors and personnel. Many of our competitors, including foreign developers and top-tier domestic developers, may have more financial or other resources than us. Domestic and overseas property developers have entered the property development markets in these cities where we have operations. If we fail to compete effectively, our business operations and financial condition will suffer.

The global financial markets, including the financial markets in China, have experienced significant slowdown and volatility during the past few years, which has affected the PRC property market, and any continued deterioration may materially and adversely affect our business and results of operations.

The economic slowdown and turmoil in the global financial markets starting in the second half of 2008 have resulted in a general tightening of credit, an increased level of commercial and consumer delinquencies, lack of consumer confidence and increased market volatility. The global economic slowdown has also affected the PRC property market, including among other things,

- by reducing the demand for commercial and residential properties resulting in the reduction of property prices;
- by adversely impacting the purchasing power of potential property purchasers, which may further impact the general demand for properties and cause a further erosion of their selling prices; and
- by negatively impacting the ability of property developers and potential property purchasers to obtain financing.

More recently, global market 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 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. To

control inflation in the past, the PRC government has imposed control on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such austerity measures can lead to a slowdown in the economic growth. The PRC economy grew at a slower pace in 2014, 2015 and 2016 than in previous years, with a yearly real GDP growth of 7.3%, 6.9% and 6.7%, respectively. Recently, there have been growing concerns about the volatility of the Chinese economy and the adjustments of Chinese fiscal policies. For example, after a rapid surge from the second half of 2014 to early June 2015, the Chinese domestic equity markets experienced sharp declines and severe volatility beginning from June 13, 2015. The Chinese government has taken monetary and regulatory measures to stabilize the market, including measures affecting market liquidity, new equity offering pipelines and trading activities of certain market participants. These and other issues resulting from the global economic slowdown and financial market turmoil have adversely impacted, and may continue to adversely impact, home owners and potential property purchasers, which may lead to a decline in the general demand for our properties and erosion of their selling prices. Any further tightening of liquidity in the global financial markets may in the future negatively affect our liquidity. If the global economic and financial market slowdown and volatility continue or become more severe than currently anticipated, or if the PRC economy and financial market continues to slow down, our business, financial condition, results of operations and prospects could be materially and adversely affected.

RISKS RELATING TO DOING BUSINESS IN THE PRC

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

We conduct our business operations in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including but not limited to:

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

As a result of these differences, our business may not develop in the same way or at the same rate as might be expected if the PRC economy were similar to those of developed countries. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. The PRC government has implemented economic reform measures emphasizing responsiveness to market forces in the development of the PRC economy. However, the PRC government continues to play a significant role in regulating industries by imposing industrial policies. Furthermore, despite the implementation of such reforms, changes in the PRC's political and social condition, laws, regulations, policies and diplomatic relationships with other countries could have an adverse effect on our business, financial condition or results of operations.

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

The PRC legal system has inherent uncertainties that could limit the legal protection available to you.

Our business is conducted in mainland China and is governed by PRC laws and regulations. All of our operating subsidiaries are located in China and are subject to PRC laws and regulations. The PRC legal system is

based on written statutes and prior court decisions can only be cited as reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, as these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, any particular interpretation of PRC laws and regulations may not be definitive. 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, if at all) that some rules may have a retroactive effect. The PRC may not accord equivalent rights (or protection for such rights) to those rights investors might expect in countries with more sophisticated real estate laws and regulations.

Furthermore, the PRC is geographically large and divided into various provinces and municipalities and as such, when PRC laws, rules, regulations and policies apply in different provinces, there may be different and varying applications and interpretations in different parts of the PRC. Legislation or regulations, particularly for local applications, may be enacted without sufficient prior notice or announcement to the public. Accordingly, we may not be aware of the existence of new legislation or regulations. There is at present also no integrated system in the PRC from which information can be obtained in respect of legal actions, arbitrations or administrative actions. Even if an individual court-by-court search were performed, each court may refuse to make the documentation that it holds available for inspection. As a result, the legal protections available to you under the PRC legal system may be limited.

We rely principally on dividends paid by our subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material and adverse effect on our ability to conduct our business.

We are a holding company incorporated in the Cayman Islands and operate our core businesses through our operating subsidiaries in the PRC. Therefore, the availability of funds to pay dividends to our Shareholders largely depends upon dividends received from these subsidiaries. If our subsidiaries incur debts or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends will be restricted.

The PRC laws and regulations require that dividends be paid only out of distributable profits, which are net profit of our PRC subsidiaries as determined in accordance with PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that our PRC subsidiaries are required to make. Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, our operating subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our PRC subsidiaries. Failure by our operating subsidiaries in the PRC to pay dividends to us could have a negative impact on our cash flow and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

Furthermore, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to provide capital or declare dividends to us and our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders.

In addition, under the EIT Law and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC 《中華人民共和國企業所得稅法實施條例》, if a foreign entity is deemed to be a “non-resident enterprise” as defined under the EIT Law, a withholding tax at the rate of 10% will be applicable to any dividends for earnings accumulated since January 1, 2008 payable to the foreign entity, unless it is entitled to reduction or elimination of such tax, including by tax treaties or agreements.

We may be classified as a “resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our non-PRC shareholders.

The EIT Law provides that enterprises established outside of China whose “de facto management bodies” are located in China are considered “resident enterprises” and are generally subject to the uniform 25% enterprise income tax rate on their worldwide income. “De facto management body” is defined as the body that has the significant and overall management and control over the business, personnel, accounts and properties of

an enterprise. In April 2009, SAT promulgated a circular to clarify the certain criteria for the determination of the “de facto management bodies” for foreign enterprises controlled by PRC enterprises. These criteria include: (1) the enterprise’s day-to-day operational management is primarily exercised in China; (2) decisions relating to the enterprise’s financial and human resource matters are made or subject to approval by organizations or personnel in China; (3) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholders’ meeting minutes are located or maintained in China; and (4) 50.0% or more of voting board members or senior executives of the enterprise habitually reside in China. However, as this circular only applies to enterprises established outside of China that are controlled by PRC enterprises or groups of PRC enterprises, it remains unclear how the tax authorities will determine the location of “de facto management bodies” for overseas incorporated enterprises that are controlled by individual PRC residents like us and some of our subsidiaries. Therefore, although substantially all of our management is currently located in the PRC, it remains unclear whether the PRC tax authorities would require or permit our overseas registered entities to be treated as PRC resident enterprises. We do not currently consider our Company to be a PRC resident enterprise. However, if the PRC tax authorities disagree with our assessment and determine that we are a “resident enterprise”, we may be subject to enterprise income tax at a rate of 25% on our worldwide income and dividends paid by us to our non-PRC shareholders as well as capital gains recognized by them with respect to the sale of our Shares may be subject to a PRC withholding tax. This will have an impact on our effective tax rate, a material adverse effect on our net income and results of operations, and may require us to withhold tax on our non-PRC shareholders.

We face uncertainty relating to the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises 《(關於非居民企業間接轉讓財產企業所得稅若干問題的公告)》 (“SAT Circular No. 7”) issued by the PRC State Administration of Taxation.

On February 3, 2015, the PRC State Administration of Taxation issued the SAT Circular No. 7, which abolished certain provisions in the Circular on Strengthening the Administration of Enterprise Income Tax on Non-PRC Resident Enterprises’ Share Transfers 《(關於加強非居民企業股權轉讓所得企業所得稅管理的通知)》 (“SAT Circular No. 698”), previously issued by the State Administration of Taxation on December 10, 2009. SAT Circular No. 7 provides comprehensive guidelines relating to indirect transfers by a non-PRC resident enterprise of assets (including equity interests) of a PRC resident enterprise (“PRC Taxable Assets”). For example, SAT Circular No. 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-PRC resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets. The PRC tax authorities may disregard the existence of such overseas holding company and consider the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC EIT and lack any other reasonable commercial purpose. Although SAT Circular No. 7 contains certain exemptions (including (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from PRC EIT under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under SAT Circular No. 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transaction by applying SAT Circular No. 7. SAT Circular No. 7 may be determined by the tax authorities to be applicable to our Reorganization, if such transaction were determined by the tax authorities to lack reasonable commercial purpose. As a result, we may be subject to tax under SAT Circular No. 7 and may be required to expend valuable resources to comply with SAT Circular No. 7 or to establish that we should not be taxed under SAT Circular No. 7, which may have a material adverse effect on our business, financial condition, results of operations and growth prospects.

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

The Notes are denominated in U.S. dollars, while substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to

1.0% on April 16, 2012 and further widened to 2.0% on March 17, 2014. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 24.5% from July 21, 2005 to June 30, 2016. On August 11, 2015, the PBOC announced plans to improve the central parity rate of the RMB against the U.S. dollar by authorizing market-makers to provide parity to the China Foreign Exchange Trading Center operated by the PBOC with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. On the same day, the central parity rate of the RMB against the U.S. dollar depreciated by nearly 2.0% as compared to August 10, 2015, and further depreciated by nearly 1.6% on August 12, 2015 as compared to August 11, 2015. The International Monetary Fund announced on September 30, 2016 that the Renminbi joins its Special Drawing Rights currency basket. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of the 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. The fluctuations in exchange rates could also adversely affect the value, translated or converted into U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes and other indebtedness denominated in foreign currencies.

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

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

The Notes are denominated in U.S. dollars, while substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. Fluctuations in the exchange rates between the Renminbi and the Hong Kong Dollar or U.S. Dollar will affect the relative purchasing power in Renminbi terms. The fluctuations in exchange rates could also adversely affect the value, translated or converted into U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes and other indebtedness denominated in foreign currencies. Currently, we have not entered into any hedging transactions to mitigate our exposure to foreign exchange risk.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve certain exchange rate targets and policy goals. In August 2015, PBOC changed the way it calculates the mid-point price of Renminbi against the U.S. dollar, requiring the market-makers who submit for reference rates to consider the previous day's closing spot rate, foreign-exchange demand and supply as well as changes in major currency rates. In 2015 and 2016, the value of the Renminbi depreciated approximately 4.4% and 7.2% against the U.S. dollar, respectively. 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 the 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. We cannot assure you

that Renminbi will not appreciate or depreciate significantly in value against Hong Kong Dollar or U.S. Dollar in the future.

The Renminbi is not a freely convertible currency.

Conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we shall have sufficient foreign exchange to meet our foreign exchange needs. Under China's current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, must be directly reviewed and handled by banks in accordance with the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (關於進一步簡化和改進直接投資外匯管理政策的通知) (the "Circular 13") and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to convert Renminbi into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business, may be materially and adversely affected.

Our investment properties are located on land that is under long-term land use rights granted by the PRC government. There is uncertainty about the amount of the land grant premium that our Group will have to pay and additional conditions that may be imposed if we decide to seek an extension of the land use rights for our investment properties.

Our investment properties are held by us under land use rights granted by the PRC government. Under PRC laws, the maximum term of the land use rights is 40 years for commercial and mixed-use purposes and 50 years for office complexes. Upon expiration, the land use rights will revert to the PRC government unless the holder of the land use rights applies for and is granted an extension of the term of the land use rights.

These land use rights do not have automatic rights of renewal and holders of land use rights are required to apply for extensions of the land use rights one year prior to the expiration of their terms. If an application for extension is granted (and such grant would usually be given by the PRC government unless the land in issue is to be taken back for the purpose of public interests), the holder of the land use rights will be required to, among other things, pay a land grant premium. If no application is made, or if such application is not granted, the properties under the land use rights will be reverted to the PRC government without any compensation. As none of the land use rights granted by the PRC government which are similar to those granted for our investment properties has, as of the Listing Date, run its full term, there is no precedent to provide an indication of the amount of the land grant premium which our Group will have to pay and any additional conditions which may be imposed if our Group decides to seek an extension of the land use rights for our investment properties upon the expiry thereof.

In certain circumstances, the PRC government may, where it considers it to be in the public interest, terminate land use rights before the expiration of the term. In addition, the PRC government has the right to terminate long-term land use rights and expropriate the land in the event the grantee fails to observe or perform certain terms and conditions pursuant to the land use rights grant contracts. If the PRC government charges a high land grant premium, imposes additional conditions, or does not grant an extension of the term of the land use rights of any of our investment properties, our operations and business could be disrupted, and our business, financial condition and results of operations could be materially and adversely affected.

RISKS RELATING TO THE NOTES

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

We are a holding company with no material operations. We conduct our operations through our PRC subsidiaries. The Notes will not be guaranteed by any current or future PRC subsidiaries. Our primary assets are

ownership interests in our PRC subsidiaries, which are held through the Subsidiary Guarantors and certain Non-Guarantor Subsidiaries. The Subsidiary Guarantors do not, and the JV Subsidiary Guarantors (if any) may not, have significant operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be) will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our PRC subsidiaries.

Creditors, including trade creditors of Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of December 31, 2017, the Non-Guarantor Subsidiaries had total debt of approximately RMB42,063.5 million (US\$6,465.0 million) and the Non-Guarantor Subsidiaries had capital commitments of approximately RMB9,168.6 million (US\$1,409.2 million) and contingent liabilities of approximately RMB21,961.4 million (US\$3,375.4 million). The Notes and the Indenture permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the Notes.

Under the terms of the Notes, a Subsidiary Guarantee may be replaced by a limited-recourse guarantee, or JV Subsidiary Guarantee, following the sale or issuance to a third party of equity interest of no less than 20% in such subsidiary by its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such Subsidiary Guarantor, or JV Subsidiary Guarantor, multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company. As a result, the amount that may be recovered by the Trustee pursuant to a JV Subsidiary Guarantee (compared to a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the Notes.

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

We now have, and will continue to have after the offering of the Notes, a substantial amount of indebtedness. Our total interest-bearing bank and other borrowings as of December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 were RMB30,180.5 million, RMB25,358.4 million, RMB35,034.1 million and RMB36,413.9 million (US\$5,371.3 million), respectively.

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

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

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

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

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

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

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

- the business, assets and liabilities of such entity will no longer be part of the credit underlying the Notes;
- such entity will not be subject to the restrictive covenants applicable to Restricted Subsidiaries under the Indenture;
- as applicable, the Subsidiary Guarantees of such entity may be released, and the shares of such entity previously pledged to the collateral agent or the trustee for the benefit of the holders of the Notes may be released; and
- Interest expenses on Indebtedness (as defined in the Indenture) of such entity will not be included in the calculation of our Consolidated Interest Expense (as defined under “Description

of the Notes-Definitions”), other than such interest expenses on indebtedness that is guaranteed and is actually paid by the Company or a Restricted Subsidiary.

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

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

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

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

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

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy our obligations under the Notes

or the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In light of land prices, sizes of projects and other factors, we may from time to time consider developing property developments jointly with third parties, including other PRC property developers. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries. Although the Indenture restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or minority joint ventures, these restrictions are subject to important exceptions and qualifications, including, among others, that we may, subject to certain conditions, make investments in any Unrestricted Subsidiaries and minority owned joint ventures primarily engaged in permitted business up to an aggregate amount equal to 25.0% of our total assets, without satisfying the Fixed Charge Coverage Ratio requirement. See "Description of the Notes."

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

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

Notes are subject to optional redemption by us.

As set forth in "Description of the Notes — Optional Redemption," the Notes may be redeemed at our option in the circumstances set out therein. An optional redemption feature is likely to limit the market value of

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

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

The Notes are a new issue of securities for which there is currently no trading market. In addition, the Notes are being offered pursuant to exemptions from registration under the U.S. Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the U.S. Securities Act or in transactions not subject to or exempt from registration under the U.S. Securities Act. See the section entitled “Transfer Restrictions.” No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for the Notes. If an active trading market does not develop or is not continued, the market price and liquidity of the Notes could be adversely affected.

Our corporate ratings maybe lowered or withdrawn in the future.

We will be assigned a long-term corporate credit rating by Standard and Poor’s Rating Services and Moody’s Investors Service. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Notes will initially only be issued in global certificate form and held through Euroclear and Clearstream. Interests in the Notes represented by the global certificate will trade in book entry form only, and notes in definitive registered form, or definitive registered notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book entry interests will not be considered owners or holders of the Notes. The nominee of the common depository for Euroclear and Clearstream will be the sole registered holder of the global certificate representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global certificate representing the Notes will be made to the paying agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to accounts of participants that hold book-entry interests in the global certificate representing the Notes and credited by such participants to indirect participants. After payment to the nominee of the common depository for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear and Clearstream or, if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of Noteholder under the Indenture.

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

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

RISKS RELATING TO THE SUBSIDIARY GUARANTEES AND THE JV SUBSIDIARY GUARANTEES

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

We conduct substantially all of our business operations through our PRC subsidiaries, but none of our current PRC subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. No future subsidiaries that are organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. Moreover, the Notes will not be guaranteed by certain of our offshore subsidiaries upon issuance. In addition, certain of our future offshore subsidiaries will not be required to guarantee the Notes if the consolidated assets of all our offshore subsidiaries that do not guarantee the Notes (other than Exempted Subsidiaries and Listed Subsidiaries) do not exceed 15.0% of our total assets. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of such Non-Guarantor Subsidiaries. See “Description of the Notes-The Subsidiary Guarantees and JV Subsidiary Guarantees” for a list of the Non-Guarantor Subsidiaries.

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

Under the terms of the Notes, a Subsidiary Guarantor may be able to release its Subsidiary Guarantee if it sells or issues no less than 20.0% of the Capital Stock of such Subsidiary Guarantor to a third party, as long as the consolidated assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 15.0% of our total assets.

In addition, a Subsidiary Guarantee may be replaced by a limited-recourse JV Subsidiary Guarantee following the sale or issuance to a third party of certain minority interest in such subsidiary (subject to the

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

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

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

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

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

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

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

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

USE OF PROCEEDS

We estimate that the proceeds from this offering, before deducting the underwriting discounts and commissions and other estimated expenses payable in connection with this offering, will be approximately US\$160.0 million, which we plan to use to refinance our existing indebtedness and for general corporate purposes.

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

EXCHANGE RATE INFORMATION

China

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

On May 18, 2007, PBOC enlarged, the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. The floating band was further widened to 1.0% on April 16, 2012 and 2.0% on March 17, 2014. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for trading against the Renminbi on the following working day.

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

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
		(RMB per US\$1.00)		
2013	6.0537	6.1478	6.2438	6.0537
2014	6.2046	6.1620	6.2591	6.0402
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7564	6.9575	6.4773
October	6.6328	6.6254	6.6533	6.5712
November	6.6385	6.6200	6.5967	6.6090
December	6.5063	6.5932	6.6210	6.5063
2018				
January	6.2841	6.4233	6.5263	6.2841
February	6.3280	6.3183	6.3471	6.2649
March	6.2726	6.3174	6.3565	6.2685
April (through April 27)	6.3325	6.2877	6.3158	6.2655

Note:

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

Hong Kong

The Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since October 17, 1983, the Hong Kong dollar has been linked to the U.S. dollar at the rate of HK\$7.80 to US\$1.00. The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (the "Basic

Law”), which came into effect on July 1, 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

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

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

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
		(RMB per US\$1.00)		
2013	7.7539	7.7565	7.7654	7.7503
2014	7.7531	7.7545	7.7669	7.7495
2015	7.7507	7.7519	7.7686	7.7495
2016	7.7534	7.7620	7.8270	7.7505
2017	7.8128	7.7926	7.8267	7.7540
October	7.7996	7.8044	7.8106	7.8015
November	7.8993	7.8052	7.8118	7.7955
December	7.8128	7.8128	7.8228	7.8050
2018				
January	7.8210	7.8190	7.8230	7.8161
February	7.8267	7.8222	7.8267	7.8183
March	7.8484	7.8413	7.8486	7.8275
April (through April 27)	7.8483	7.8489	7.8499	7.8448

Note:

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

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our consolidated cash and cash equivalents, short-term debt and capitalization as of June 30, 2017 on an actual basis and on an as adjusted basis after giving effect to the gross proceeds from the issuance of the Notes in this offering before deducting the underwriting discounts and commissions and other estimated expenses of this offering payable by us. The following table should be read in conjunction with the selected consolidated financial information and the audited consolidated financial statements and related notes included in this information memorandum.

	As of June 30, 2017			
	Actual		As adjusted	
	(RMB millions)	(US\$ millions) (unaudited)	(RMB millions) (unaudited)	(US\$ millions) (unaudited)
Cash and cash equivalents⁽¹⁾	7,361	1,086	8,447	1,246
Current borrowings				
Bank and other borrowings	14,264	2,104	14,264	2,104
Total current borrowings	14,264	2,104	14,264	2,104
Non-current borrowings⁽²⁾				
Bank and other borrowings	22,149	3,267	22,149	3,267
Corporate bond	2,059	304	2,059	304
Notes to be issued	—	—	1,085	160
Total non-current borrowings	24,208	3,571	25,293	3,731
Total equity	9,541	1,407	9,541	1,407
Total capitalization⁽³⁾	33,749	4,978	34,832	5,138

Notes:

- (1) Cash and cash equivalents exclude restricted bank deposits of RMB3,819.6 million (US\$563.4 million).
- (2) Subsequent to June 30, 2017, we have, in the ordinary course of business, entered into additional financing arrangements to finance our property developments and for general corporate purposes. See “Description of Material Indebtedness and Other Obligations.” These additional borrowings are not reflected in the table above.
- (3) Total capitalization includes total non-current borrowings plus total equity.

After the completion of this offering, we may incur additional debt, including Renminbi denominated borrowings or debt securities in China. Except as otherwise disclosed in this information memorandum, there has been no material adverse change in our capitalization since June 30, 2017.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. The summary consolidated statement of comprehensive income data for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 and the summary consolidated statement of financial position data as of December 31, 2014, 2015 and 2016 and June 30, 2017 set forth below (except for EBITDA data) have been derived from our consolidated financial statements for such years and as of such dates, as audited by Ernest & Young, the independent certified public accountants, and included elsewhere in this information memorandum. Our financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The summary financial data below should be read in conjunction with our consolidated financial statements and the notes to those statements included elsewhere in this information memorandum.

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND OTHER FINANCIAL DATA

	Year ended 31 December				Six months ended 30 June		
	2014	2015	2016		2016	2017	
	(RMB'000)	(RMB'000)	(RMB'000)	US\$'000 (unaudited)	(RMB'000) (unaudited)	(RMB'000)	US\$'000 (unaudited)
REVENUE	3,039,559	4,310,180	14,603,520	2,154,134	5,404,538	8,085,246	1,192,637
Cost of sales	(2,370,938)	(3,300,201)	(11,433,831)	(1,686,580)	(3,961,566)	(6,399,933)	(944,040)
GROSS PROFIT	668,621	1,009,979	3,169,689	467,554	1,442,972	1,685,313	248,597
Other income and gains	11,909	15,165	48,642	7,175	16,598	63,747	9,403
Selling and distribution expenses	(332,233)	(557,720)	(587,476)	(86,657)	(237,912)	(284,894)	(42,024)
Administrative expenses ...	(295,882)	(342,783)	(477,292)	(70,404)	(211,582)	(263,840)	(38,918)
Other expenses	(31,889)	(18,698)	(19,528)	(2,881)	(11,647)	(9,529)	(1,406)
Fair value gains on investment properties	585,056	772,829	594,150	87,642	425,696	49,555	7,310
Finance costs	(181,349)	(78,868)	(356,072)	(52,523)	(203,516)	(251,657)	(37,121)
Share of losses of:							
Joint ventures	—	—	(7,205)	(1,063)	(811)	(17,927)	(2,644)
An associate	—	—	—	0	—	(214)	32
PROFIT BEFORE TAX ...	424,233	799,904	2,364,908	348,843	1,219,798	970,554	143,163
Income tax expense	(344,132)	(380,965)	(1,121,686)	(165,457)	(660,623)	(593,965)	(87,615)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/ PERIOD	<u>80,101</u>	<u>418,939</u>	<u>1,243,222</u>	<u>183,385</u>	<u>559,175</u>	<u>376,589</u>	<u>55,550</u>
Attributable to:							
Owners of the parent	53,359	418,737	1,183,256	174,540	573,294	309,120	45,598
Non-controlling Interests ...	26,742	202	59,966	8,845	(14,119)	67,469	9,952
	<u>80,101</u>	<u>418,939</u>	<u>1,243,222</u>	<u>183,385</u>	<u>559,175</u>	<u>376,589</u>	<u>55,550</u>

Summary Consolidated Statement of Financial Position

	As of December 31,				As of June 30,	
	2014	2015	2016		2017	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (unaudited)	(RMB'000)	(US\$'000) (unaudited)
NON-CURRENT ASSETS						
Property, plant and equipment . . .	60,648	51,300	50,194	7,404	47,319	6,980
Investment properties	3,113,590	4,785,880	7,421,860	1,094,783	7,788,090	1,148,804
Prepaid land lease payments	1,038,852	1,008,767	387,435	57,150	387,435	57,150
Other intangible assets	4,170	5,356	5,238	773	4,652	686
Investments in joint ventures	—	—	46,894	6,917	1,268,569	187,124
Investment in an associate	—	—	—	0	11,226	1,656
Deferred tax assets	180,140	566,597	821,090	121,117	921,678	135,955
Total non-current assets	4,397,400	6,417,900	8,732,711	1,288,143	10,937,547	1,613,374
CURRENT ASSETS						
Available-for-sale investments . . .	1,530	1,438,020	—	0	—	0
Properties under development . . .	27,714,867	39,512,885	37,524,366	5,535,139	43,085,702	6,355,479
Completed properties held for sale	1,029,833	2,564,430	9,526,678	1,405,260	10,923,322	1,611,276
Trade receivables	13,985	4,038	10,205	1,505	21,188	3,125
Due from related companies	15,217	2,122,047	1,462,879	215,786	1,709,202	252,121
Due from a shareholder	—	—	8,210	1,211	10,973	1,619
Prepaid land lease payments	5,989,700	86,564	6,941,396	1,023,910	6,064,715	974,247
Prepayments, deposits and other receivables	2,423,495	2,090,669	3,091,874	456,076	8,690,159	1,281,867
Tax recoverable	304,580	509,298	953,569	140,659	1,052,368	155,233
Restricted cash	275,949	1,726,115	2,984,436	440,228	3,819,566	563,416
Pledged deposits	335,545	519,007	832,654	122,823	758,334	111,860
Cash and cash equivalents	1,025,792	2,530,727	14,689,689	2,166,845	7,360,643	1,085,753
Total current assets	39,130,493	53,103,800	78,025,956	11,509,441	83,496,172	12,316,341
CURRENT LIABILITIES						
Trade and bills payables	2,231,161	4,517,130	5,506,441	812,243	4,965,027	732,380
Other payables, deposits received and accruals	736,096	810,754	968,033	142,792	2,896,446	427,249
Advances from customers	6,936,543	21,334,102	32,612,783	4,810,642	36,549,900	5,391,397
Due to related companies	1,177,634	144,240	7,648	1,128	281,979	41,594
Due to shareholders	93,192	94,192	79,856	11,740	79,856	11,779
Corporate bonds	—	—	2,002,359	295,364	307,757	45,397
Interest-bearing bank and other borrowings	13,793,224	9,411,467	10,319,155	1,522,156	14,264,378	2,104,108
Tax payable	247,457	479,781	1,011,813	149,250	1,101,745	162,516
Total current liabilities	25,215,307	36,791,657	50,505,729	7,449,992	60,139,331	8,871,024
NET CURRENT ASSETS	13,915,186	16,312,143	27,520,227	4,059,457	23,356,841	3,445,318
TOTAL ASSETS LESS						
CURRENT LIABILITIES	18,312,586	22,730,043	36,252,938	5,347,593	34,294,388	5,058,692

	As of December 31,				As of June 30,	
	2014	2015	2016		2017	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (unaudited)	(RMB'000)	(US\$'000) (unaudited)
NON-CURRENT LIABILITIES						
Interest-bearing bank and other borrowings	16,387,264	15,946,888	24,714,906	3,645,643	22,149,479	3,267,222
Corporate bond	—	—	1,988,777	293,360	2,058,885	303,702
Deferred tax liabilities	252,874	472,593	559,324	82,505	545,404	80,451
Total non-current liabilities	16,640,138	16,419,481	27,263,007	4,021,508	24,753,768	3,651,375
NET ASSETS	1,672,448	6,310,562	8,989,931	1,326,085	9,540,620	1,407,316
EQUITY						
Equity attributable to owners of the parent						
Share capital	—	—	—	0	—	0
Reserves	1,560,796	6,149,013	7,974,754	1,176,339	8,375,599	1,235,467
	1,560,796	6,149,013	7,974,754	1,176,339	8,375,599	1,235,467
Non-controlling interests	111,652	161,549	1,015,177	149,747	1,165,021	171,850
TOTAL EQUITY	1,672,448	6,310,562	8,989,931	1,326,085	9,540,620	1,407,316

Notes:

- (1) The remaining 37% equity interest in Minhou Real Estate was owned by Mingye Travel Service Co., Ltd. (名業商旅發展(福建)有限公司) (30%) and Fujian Jingsheng Construction Engineering Company Limited (福建景盛建築工程有限公司) (7%), both of whom are independent third parties other than being shareholders of our subsidiary(ies).
- (2) The remaining 20% equity interest in Minhou Zhengsheng was owned by Fujian Hongyuan Ruiteng Investment Company Limited (福建鴻元瑞騰投資有限公司), an independent third party other than being a shareholder of our subsidiary(ies).
- (3) The remaining 49% equity interest in Pingtan Investment was owned by Xiamen Huamin Investment Management Company Limited (廈門華閩投資管理有限公司) (15%), Fuzhou Yuanqi Investment Management Company Limited (福州遠啓投資管理有限公司) (10%), Mr. Hu Lianrong (胡連榮) (10%), Fujian Yifangtian Investment Management Company Limited (福建億方田投資發展有限公司) (7%), Mr. Zhou Xiaohua (周笑華) (5%) and Mr. Zhai Wei (翟煒) (2%), all of whom are independent third parties other than being shareholders of our subsidiary(ies).
- (4) The remaining 49% equity interest in Pingtan Real Estate was owned by Fujian Haibo Equity Investment Center Partnership (Limited Partnership) (福建海博股權投資中心(有限合夥)) (20%), Fujian Huiyuan International Business Convention Company Limited (福建匯源國際商務會展有限公司) (10%), Fuzhou Yuanqi Investment Management Company Limited (福州遠啓投資管理有限公司) (10%), Mr. Zhou Xiaohua (周笑華) (5%), Mr. Zhai Wei (翟煒) (2%) and Mr. Hu Lianrong (胡連榮) (2%), all of whom are independent third parties other than being shareholders of our subsidiary(ies).
- (5) The remaining 49% equity interest in Zhenro Shantian Zhengtai was owned by Xiamen Huamin Investment Management Company Limited (廈門華閩投資管理有限公司) (18%), Fuzhou Yuanqi Investment Management Company Limited (福州遠啓投資管理有限公司) (10%), Fujian Rongyu Tourism Development Company Limited (福建省榮譽旅遊發展有限公司) (10%), Mr. Zhou Xiaohua(周笑華) (5%), Mr. Dong Xuyi (董須義) (4%) and Mr. Zhai Wei (翟煒) (2%), all of whom are independent third parties other than being shareholders of our subsidiary(ies).
- (6) A 20% equity interest in Hefei Zhengyu was held by China Resources SZITIC Trust Co., Ltd. (華潤深國投信託有限公司), an independent third party and a trust financing provider, as security for a trust financing.
- (7) The remaining 15% equity interest in Minhou Investment was owned by Mingye Travel Service Co., Ltd. (名業商旅發展(福建)有限公司), an independent third party other than being shareholders of our subsidiary(ies).
- (8) The remaining 25% equity interest in Zhengmao Pingtan was owned by Fujian Rongyu Tourism Development Company Limited (福建省榮譽旅遊發展有限公司) (12%), Xiamen Huamin Investment Management Company Limited (廈門華閩投資管理有限公司) (5%), Fuzhou Yuanqi Investment Management Company Limited (福州遠啓投資管理有限公司) (4%), Fujian Yurong Construction Machinery Services Co., Ltd. (福建域融工程機械服務有限公司) (2%) and Zhou Xiaohua (周笑華) (2%), all of whom are independent third parties other than being shareholders of our subsidiary(ies).
- (9) The remaining 1% equity interest in Putian Investment was owned by Putian Real Estate.
- (10) The remaining 10% equity interest in Shanghai Yufeng was owned by Fujian Changyuan Construction Company Limited (福建昌源建設有限公司), an independent third party other than being shareholders of our subsidiary(ies).
- (11) The remaining 10% equity interest in Shanghai Yuzun was owned by Fujian Changyuan Construction Company Limited (福建昌源建設有限公司), an independent third party other than being shareholders of our subsidiary(ies).
- (12) The remaining 48.09% equity interest in Suzhou Property was owned by Pingtan Yilong Investment Management Partnership (Limited Partnership) (平潭億隆投資管理合夥企業(有限合夥)), an independent third party other than being a shareholder of our subsidiary(ies).
- (13) The remaining 37.29% equity interest in Suzhou Real Estate was owned by Pingtan Xingguang Investment Management Partnership (Limited Partnership) (平潭興廣投資管理合夥企業(有限合夥)), an independent third party other than being a shareholder of our subsidiary(ies).
- (14) The remaining 20% equity interest in Suzhou Sutong was owned by Suzhou Qiansheng Trading Company Limited (蘇州乾昇貿易有限公司), an independent third party other than being a shareholder of our subsidiary(ies).
- (15) A 39% equity interest in Nanchang Xinjian was held by Shanghai Zhihua Investment Center (Limited Partnership) (上海置華投資中心(有限合夥)), an independent third party and a trust financing provider, as security for a trust financing.
- (16) The remaining 51% equity interest in Fuzhou Investment was owned by Fuzhou Real Estate.
- (17) The remaining 49% equity interest in Nanping Real Estate was owned by Fuzhou Real Estate (4%) and Putian Junqiming Trading Company Limited (莆田軍奇明貿易有限公司) (45%), an independent third party other than being a shareholder of our subsidiary(ies).
- (18) A 10% equity interest in Nanjing Dexin was held by Shenzhen Pingan Dahua Huitong Asset Management Co., Ltd. (深圳平安大華匯通財富管理有限公司), an independent third party and a trust financing provider, as security for a trust financing.
- (19) The remaining 75% equity interest in Hefei Yongtuo was owned by Hefei Haozhi Xinchun Investment Co., Ltd. (合肥皓智鑫宸投資有限公司) (17%), Beijing Yuankun Real Estate Development Co., Ltd. (北京遠坤房地產開發有限公司) (17%), Hefei Xuhui Enterprise Management Co., Ltd. (合肥旭輝企業管理有限公司) (17%), Beijing Dongxing Lianyong Tongchang Investment Management Co., Ltd. (北京東興聯永同昌投資管理有限公司) (8%), Hefei Wanlong Hanhai Investment Management Co., Ltd. (合肥萬隆瀚海投資管理有限公司) (8%) and Beijing

- Yuanshengchang Real Estate Development Co., Ltd. (北京遠盛昌房地產開發有限公司) (8%), all of whom are independent third parties other than being shareholders of Hefei Yongtuo. Hefei Yongtuo is accounted for as a subsidiary of the Company because the Group controls 51% of the voting rights according to the articles of association of Hefei Yongtuo.
- (20) The remaining 49% equity interest in Suzhou Zhengrun was held by Suzhou Jinhui Juye Co., Ltd. (蘇州金輝居業有限公司), an independent third party other than being a shareholder of our subsidiary(ies).
- (21) The Shares held by RoJing may be used for share incentive plan(s) in the future.
- (22) The remaining 25% equity interest in Pingtan Zhengsheng was owned by Fujian Rongyu Tourism Development Company Limited (福建省榮譽旅遊發展有限公司) (12%), Xiamen Huamin Investment Management Company Limited (廈門華閩投資管理有限公司) (5%), Fuzhou Yuanqi Investment Management Company Limited (福州遠啓投資管理有限公司) (4%), Fujian Yurong Construction Machinery Services Co., Ltd. (福建域融工程機械服務有限公司) (2%) and Zhou Xiaohua (周笑華) (2%), all of whom are independent third parties other than being shareholders of our subsidiary(ies).
- (23) The remaining 49% equity interest in Chuzhou Zhengjing Huarong was owned by Lai'an Jinghua Real Estate Co., Ltd. (來安縣景華置業有限公司), an independent third party other than being a shareholder of our subsidiary(ies).

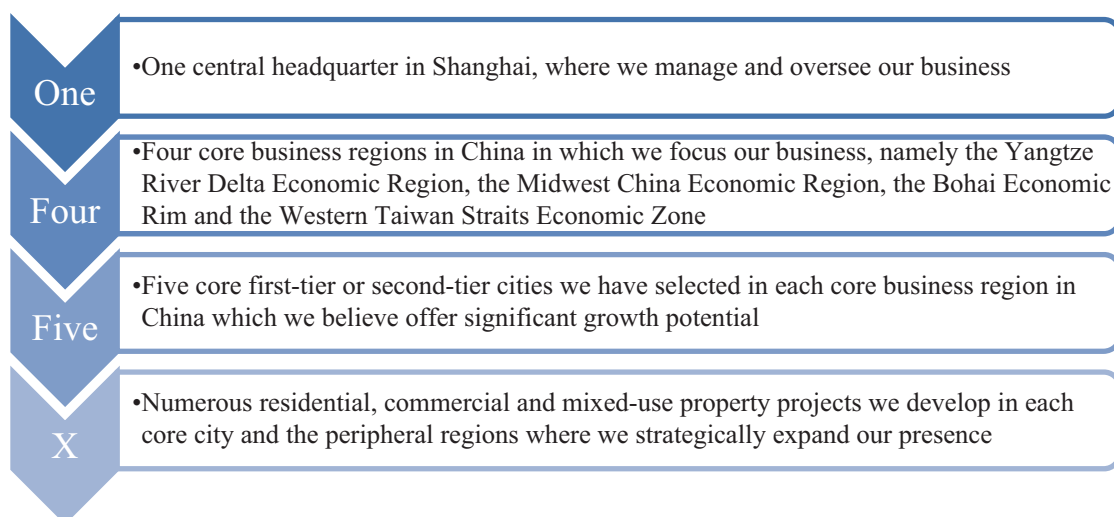
BUSINESS

OVERVIEW

We are a large comprehensive property developer in the PRC focusing on the development of residential properties and the development, operation and management of commercial and mixed-use properties. Zhenro Properties Holdings, the onshore holding company of our Group, was established in July 2015 as Zhenro Group's exclusive platform to carry out its property development business founded in 1998. We have inherited from Zhenro Group extensive experience and sophisticated property development capabilities. Zhenro Group has earned the accolade of a top 100 real estate developer in China for 13 consecutive years since 2005 in terms of its comprehensive property development capability by various industry research institutes. Zhenro Group was awarded "China Top 100 Real Estate Developers" jointly by Enterprise Research Institute under the Development Research Center of the State Council, Property Research Institute of Tsinghua University and China Index Academy from 2005 to 2012 and from 2015 to 2017, and "China Top 50 Real Estate Developers" jointly by China Real Estate and Housing Research Association, China Real Estate Association and China Real Estate Appraisal Center since 2013. In 2017, Zhenro Properties Holdings was ranked 19th among the "Top 200 Real Estate Developer in China" according to Yihan Zhiku (億翰智庫).

We strive to develop high-quality residential properties primarily for mid- to high-end customers with home upgrade demand. We are also engaged in the development of commercial and mixed-use properties to maintain a balanced development portfolio. In addition, we currently hold as investment properties the commercial spaces of our shopping malls at the mixed-use properties we developed. We believe such commercial and mixed-use properties will help reduce volatility of our revenue, diversify our risk exposure, and deliver stable cash flow for our business operations. Moreover, we provide commercial property management services to certain commercial properties we developed through our commercial property management subsidiaries. Leveraging our comprehensive and high quality development, operation and management capabilities, we have established a track record of bringing to market large-scale, mixed-use property projects that encompass residential, SOHO and office, retail and/or leisure use spaces. As of June 30, 2017, we had one mega mixed-use property project, namely Nanchang Zhenro The Capital of Great Loch, with a total GFA exceeding 1.0 million sq.m. and four large-scale residential and mixed-use property projects, namely Putian Zhenro Fortune Center, Changsha Zhenro Fortune Center, Nanping Zhenro Fortune Center and Nanchang Zhenro Royal Sunrise, each with a total GFA exceeding 0.5 million sq.m.

Headquartered in Shanghai, we have an active presence in the Yangtze River Delta Economic Region, the Midwest China Economic Region, the Bohai Economic Rim and the Western Taiwan Straits Economic Zone, adopting a "145X" strategy to develop an extensive reach of our network in the PRC:



We attribute our success to our distinctive market positioning strategy, strong land sourcing capability, standardized property development procedures and dynamic realizable-market-value-based inventory management approach, all of which enable us to replicate our success as we expand throughout China and create brand recognition. In particular, we position our brand as “改善大師 (home upgrade master),” with a vision of offering customer-oriented, quality residences to affluent mid- to high-end customers with home-upgrade demand. We believe such customers have relatively high disposable income and strong purchasing power and place higher

priority on quality rather than price in their property purchase decision making process. To implement our market positioning strategy, we have developed four product series of residential property projects since August 2016, namely, the “優家 (Great Home)” series, the “精工 (Craftsman)” series, the “大師 (Masterpiece)” series and the “典藏 (Collection)” series, each targeting different segments of our customers. Our property development process, starting from site selection to project planning and design, is also centered on the needs and preferences of our targeted mid- to high-end customers. Our property products are generally located in urban centers and central areas of newly developed districts in economically developed cities, as well as other regions in China that we believe have strong growth potential. We believe we are able to command a premium in the sales price for our residential properties in certain of our markets, as compared to properties of similar quality. For instance, according to the China Index Academy Report, by comparing with residential properties with similar characteristics in close proximity, such as project scale, property unit size, layout and use for the same year, and by comparing the average selling price per sq.m. of the properties in close proximity, the average selling price per sq.m. of Nanjing Zhenro Royal Fame and Nanjing Zhenro Splendid Land, two selective residential projects developed and sold by us in 2016, were found to be 20.4% and 15.8% higher than that of comparative residential properties in their respective close proximity, respectively, which we believe are primarily attributable to our customer-oriented approach. By comparing with residential projects with similar characteristics in close proximity, China Index Academy eliminated the difference in average selling price caused by different location and property nature, which better reflected the higher selling prices attributable to our advantages in property design, quality, service and reputation.

Our market position, together with our sizable land bank, our quality product offering and our property development and management capabilities along with strong brand recognition we achieved, all contributed to our sustainable and rapid expansion and financial success in the past. Our revenue grew at a CAGR of 119.2% from RMB3,039.6 million in 2014 to RMB14,603.5 million in 2016, and the total GFA delivered grew at a CAGR of 69.1% from 437,595 sq.m. in 2014 to 1,251,117 sq.m. in 2016. Our revenue increased by 49.6% from RMB5,404.5 million in the six months ended June 30, 2016 to RMB8,085.2 million in the same period in 2017 and our total GFA delivered increased by 37.5% from 536,262 sq.m. in the six months ended June 30, 2016 to 737,522 sq.m. in the same period in 2017.

OUR STRENGTHS

A Large Comprehensive Property Developer in the PRC

We are a large comprehensive property developer in the PRC focusing on the development of residential properties and the development, operation and management of commercial and mixed-use properties. Zhenro Properties Holdings, the onshore holding company of our Group, was established in July 2015 as Zhenro Group’s exclusive platform to carry out its property development business founded in 1998. Zhenro Group has earned the accolade of a top 100 real estate developer in China for 13 consecutive years since 2005 in terms of its comprehensive property development capability by various industry research institutes and was one of the largest unlisted PRC real estate developers. In 2017, Zhenro Properties Holdings ranked 19th among the “Top 200 Real Estate Developers in China” according to Yihan Zhiku (億翰智庫). Our strong reputation, premium brand name, quality product offering and a proven track record of success in the property development business have also enabled us to receive numerous national awards and recognitions. For example, Zhenro Properties Holdings was granted “the 2016 Comprehensive Strength Award in Prime Real Estate” (2016 年度品質地產綜合力大獎) from Golden Brick Awards for Real Estate of China (中國地產金磚獎評選委員會), 21st Century Business Herald (21世紀經濟報導), Bo’ao 21st Century Real Estate Forum (博鰲21世紀房地產論壇) in 2016. See “— Awards and Recognitions” for more information on awards granted to our property development business.

With over 18 years of experience in real estate development, we have grown from a leading regional residential property developer in the Western Taiwan Straits Economic Zone to an established national comprehensive property developer with active presence in 15 cities across four core business regions in China, namely, the Yangtze River Delta Economic Region, the Midwest China Economic Region, the Bohai Economic Rim and the Western Taiwan Straits Economic Zone as of June 30, 2017. Besides the Midwest China Economic Region which we believe entails great growth potentials, the other three core business regions are what we believe to be among the most economically prosperous areas in China and each is expected to further develop as a world-class city cluster.

We strive to develop high-quality residential properties primarily for mid- to high-end customers with home upgrade demand. We are also engaged in the development of commercial and mixed-use properties to maintain a balanced development portfolio. In addition, we currently hold as investment properties the commercial spaces of our shopping malls at the mixed-use properties we developed. We believe such

commercial and mixed-use properties will help reduce volatility of our revenue, diversify our risk exposure, and deliver stable cash flow for our business operations. Moreover, we provide commercial property management services to certain commercial properties we developed through our commercial property management subsidiaries. Leveraging our comprehensive and high-quality development, operation and management capabilities, we have established a track record of bringing to market large-scale, mixed-use property projects that encompass residential, SOHO and office, retail and/or leisure spaces. As of June 30, 2017, we had one mega mixed-use property project, namely Nanchang Zhenro The Capital of Great Loch, with a total GFA exceeding 1.0 million sq.m. and four large-scale residential and mixed-use property projects, namely Putian Zhenro Fortune Center, Changsha Zhenro Fortune Center, Nanping Zhenro Fortune Center and Nanchang Zhenro Royal Sunrise, each with a total GFA exceeding 0.5 million sq.m.

Our market position, together with our presence in strategic locations across China, position us well to capture the significant growth potential of the relevant real estate markets.

Sizable Land Bank in First- or Second-Tier Cities or in Cities with High Growth Potential in China and Proven Land Acquisition Capability Fueling Our “145X” Expansion Across China

We strategically select and acquire high-quality land parcels for development focusing on the sustainable growth of our business. As of October 31, 2017, we had a land bank with an aggregate GFA attributable to us of approximately 11.5 million sq.m. that was strategically located in 17 cities across four core regions in China, including but not limited to Shanghai, Nanjing, Suzhou, Hefei, Wuhan, Changsha, Xi’an, Tianjin, Fuzhou, Nanchang and Zhengzhou. Most of our land parcels are situated at prime locations in first- or second-tier cities or in cities that we believe have high growth potential. Based on our expansion plan, we believe our land bank would be sufficient to support our business development in the next three years.

In addition, our proven land acquisition capability as evidenced by our regional deep-plough land acquisition strategy, our keen market insight and investment vision into the PRC real estate market and our diversified land acquisition initiatives, will continue to help propel our expansion in the future. As part of our “145X” expansion plan, we adopt a deep-plough strategy in our land acquisition efforts focusing on in-depth market penetration in each city we select and enter. We typically acquire a sizable land bank in one location we intend to operate within a short timeframe before we access to another location for our future expansion. We believe our market insights and investment vision in the PRC real estate market, which is based on years of market research on target cities and potential local market cycles, also bring substantial benefits to our regional land acquisition efforts. In particular, we adopt a “reserve cycle” approach to execute our investment decision. We strive to identify high quality lands with potential in areas that have not yet to experience significant growth in property prices, or in areas that may have experienced pullback in property prices or market slowdowns. For example, we penetrated the real estate markets in Nanjing and Suzhou in 2013 before they experienced an exponential growth starting from 2014. On the other hand, once property prices in an area have experienced significant increase, we take a conservative approach in the acquisition of new lands in such area. Our market insights and land acquisition approach have helped us form a comprehensive property portfolio with attractive property development pipelines as of June 30, 2017 to serve as the core foundation for future expansion, a few of which were acquired by us during the previous market slowdowns of the relevant local real estate markets at competitive costs. In addition to land acquisitions through public tender, auction or listing-for-sale, we have cooperated with third-party business partners through joint ventures and associated companies to jointly acquire land parcels and jointly develop property projects. We also occasionally acquire land parcels from third parties by acquiring equity interests in those companies that possess land use rights. Our various land acquisitions initiatives, together with our deep-plough land acquisition strategy and keen market insight provide us with access to desirable locations at reasonable prices for our future expansion and in turn increase our profitability.

Focused on Developing Quality and Customized Products Targeting Mid- to High-End Customers with Home Upgrade Demand

We believe a key contributor to our success is our focus on developing properties that cater to the needs of our target customers. We position our brand as “改善大師 (home upgrade master)” with a vision of introducing quality residences with a GFA ranging from 90 sq.m. to 200 sq.m. to affluent mid- to high-end customers with home-upgrade demand. We believe these customers have relatively high disposable income and strong purchasing power and place higher priority on quality rather than price in their property purchase decision making process. To implement our market positioning strategy, we have developed four product series of residential property projects, namely the “優家 (Great Home)” series, the “精工 (Craftsman)” series, the “大師 (Masterpiece)” series and the “典藏(Collection)” series, each targeting different segments of our target

customers. Our “Great Home” series targets mainly first-time home buyers. Our “Craftsman” series focuses primarily on the demand of first-time home upgraders and middle class first-time home buyers, who we believe represent a majority of our target customers. Our “Masterpiece” series mainly targets mid-to-high home upgraders for their second and subsequent home upgrades. We position our “Collection” series as luxury home collection for our target high-end customers. Similarly, our commercial property portfolios are comprised of three products lines, the “財富中心 (Fortune Center)” series, the “時代廣場 (Times Plaza)” series and “正榮街 (Zhenro Street)” series, each with its own positioning and floor size. See “— Management of Commercial Properties.” We believe such market positioning strategy best leverages our property development capabilities and help us maintain sustainable growth in current market conditions.

Our property development process, starting from site selection to project planning and design, is centered on the needs and preferences of our target mid- to high-end customers. During site selection process, we generally pursue opportunities in urban centers and central areas of newly developed districts in economically developed cities, as well as other cities in China that we believe have strong prospects for growth fueled by economic growth. We adopt a customer-oriented product design philosophy, pursuant to which we pay significant attention to details so that the design of our property products will bring increased convenience to our customers based on their lifestyles and habits. We value both in-house design capabilities and external collaboration with other PRC well-known third-party architectural and design firms, and we work closely with anchor tenants and customers with specific requirements to better serve their needs. We also endeavor to capture the regional characteristics in our product designs as we expand into different geographies. We continuously innovate our product design based on customer feedback and research as to market trend and development.

In addition, we have developed a “built-to-suit” model (客戶訂製模式) for the management of our commercial and mix-use properties which focuses on obtaining pre-leasing commitments prior to the commencement of construction. We achieved an occupancy rate of over 90% upon commencement of operations of our shopping mall projects in Putian Zhenro Fortune Center and Fuzhou Zhenro Fortune Center in December 2015 and December 2016, respectively. We believe such model enables us to attract well-known tenants as it enables tenants to maximize their ability to customize their leased spaces during the construction of the development projects to best suit their needs, which also serves to enhance the value of our investment properties.

Our product development capability was recognized by the “Most Innovative Real Estate Enterprise in 2015” award (2015中國最具創新力地產企業大獎) issued by the Organizing Committee of 2015 Bo’ao Real Estate Forum (博鰲房地產論壇組委會). Our efforts have also led to several of our developments receiving awards for their design, such as “Asia Top 10 Well-Crafted Condo in 2015” (2015亞洲十大精工名宅) and “2016-2017 China New Hundred Urban Landmark Architecture” (2016-2017中國百城建築新地標) for Shanghai Hongqiao Zhenro Mansion, and “Asia Real Estate Leadership Award — Top 10 Best Urban Complexes” (亞洲地產領袖大獎—十大最佳城市綜合體) for Putian Zhenro Fortune Center.

Proven Property Development and Management Capabilities together with Strong Brand Recognition

We believe a strong brand name starts with the high quality of our property projects. Since the inception of Zhenro Group’s property development business in 1998, we have developed sophisticated property development and management capabilities that we believe are instrumental to the success of our business. Specifically, we believe the following key capabilities, in addition to our proven land acquisition capability and distinctive marketing strategies, provide us with a competitive advantage, allowing us to replicate our success as we expand throughout China and create brand recognition:

- *Proven development capability.* With over 18 years of experience in property development, our business has a proven track record of successfully developing numerous customer-oriented, quality property projects that are diverse in design elements and geographic locations, each with its own unique market characteristics, and managed to span 15 cities across four core business regions in China. While we first started as a residential property developer, we have expanded into commercial and mixed-use property market by introducing high-end office buildings, such as Hongqiao Zhenro Center in Shanghai, and mega-scale and large-scale mixed-use properties, such as the Putian Zhenro Fortune Center in Putian, Fujian Province.
- *Customer-oriented approach with diversified product portfolio.* Covering the tiniest of details, we pride ourselves in our customer-oriented design philosophy that aims to bring increased convenience to potential customers in the use of our products.

- *Strong execution capabilities with standardized and scalable property development procedures.* We have developed standardized property development procedures which cover the entire life cycle of a property project. Such procedures, supported by our advanced IT system, include detailed reporting protocols for each aspect of the property development cycle to facilitate efficient operation, expedite asset turnover and to ensure consistent high quality and cost control of our projects. We also only engage reputable and well-known architectural and design firms, as well as general contractors with premium class constructor qualifications. During the construction process, we deploy stringent control standards. We utilize both our internal team and independent certified project supervisory companies to monitor the progress and quality standards of our projects. Furthermore, we adopt strict selection criteria as to the materials and equipment used in our projects, including their specifications in terms of quality, technical standards and brand requirements to ensure consistent high quality of our property development.
- *Sales and marketing expertise with a realizable-market-value-based inventory management approach.* We primarily rely on the efforts of our own marketing management teams for the sale of our properties. We have adopted a dynamic management approach in the entire life cycle of a property project, focusing on maximizing returns for our property projects, optimizing cash position and responding quickly to market changes. We conduct quarterly review and may establish additional or adjust our investment plans and product positioning, design, sales price and marketing approach in view of the estimated realizable market value of our projects which are based on our annual sales targets, our profit targets, our real time property inventory position and the changing market conditions. In particular, although sales targets are set at our headquarters, we empower a senior management team in each city which performs regional management functions with the ability to adjust sales price for our projects based on changing market conditions due to their familiarity with the local property markets. For example, rather than becoming fixated on a pre-determined price levels, in times of market downturn and subject to approvals of our headquarters, such regional management teams can quickly adopt discounts and other incentive measures to promote our properties as to ensure a healthy cash flow while maintain revenue generating. On the other hand, in more robust markets, these regional management teams are able to quickly increase the sales price for our properties to keep abreast of the developing market situations. Such ability to adjust our inventory status, sales price and cash flow to proactively respond to trends in local property markets has enabled us to maintain profitability. For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, we achieved gross profit margin of 22.0%, 23.4%, 21.7%, 26.7% and 20.8%, with net profit margin of 2.6%, 9.7%, 8.5%, 10.3% and 4.7%, respectively.

Our proven property development capabilities and our dedication in providing customer-orientated quality property projects have enabled us to build a distinguished and well-recognized brand image nationally. As a result of our strong brand recognition, we believe our property development is able to command a premium in the sales price for our property in certain of our markets as compared with the average prices of similar properties in the relevant cities, districts and neighboring properties. For instance, according to the China Index Academy Report, by comparing with residential properties with similar characteristics in close proximity, such as project scale, property unit size, layout and use for the same year, and by comparing the average selling price per sq.m. of the properties in close proximity, the average selling price per sq.m. of Nanjing Zhenro Royal Fame and Nanjing Zhenro Splendid Land, two selective residential projects developed and sold by us in 2016, were found to be 20.4% and 15.8% higher than that of comparative residential properties in their respective close proximity, respectively. By comparing with residential projects with similar characteristics in close proximity, China Index Academy eliminated the difference in average selling price caused by different location and property nature, which better reflected the higher selling prices attributable to our advantages in property design, quality, service and reputation. In addition, we believe such brand recognition has also strengthened our ability to access to capital to finance our business operation. We believe our well-known brand and reputation provides us with significant leverage for our business growth and will continue to provide a positive effect in advancing the expansion of our business and our geographic reach into other cities and regions in the PRC.

Professional and Experienced Management Team Benefiting from Our Founder's Extensive Experience to Support Our Long Term Sustainable Growth

Our success has been, and will continue to be, dependent on our professional and experienced management team which has in-depth understanding of the real estate industry in China. Our business was

founded by Mr. Ou Zongrong, our founder and Controlling Shareholder who is an influential industry leader with 19 years of experience in the PRC real estate market, and is now professionally managed by Mr. Huang Xianzhi, our Chairman and an executive Director, and Mr. Lin Zhaoyang, our Chief Executive Officer and an executive Director. Mr. Ou Zongrong remains as our senior advisor, offering strategic insights and giving us the benefit of his industry experience. Mr. Huang is an experienced professional manager with 19 years of experience in the PRC real estate market. He was recognized as an “Outstanding Professional Manager in China for the Year of 2008” (2008 年度中國傑出職業經理人) and “Chief Accountant in China for the Year of 2011” (2011中國總會計師年度人物). He also received the honors of “Figure with Contributions to China Real Estate Brands in 2015” (2015中國房地產品牌貢獻人物) and “Top 100 Figures with Contributions to China Real Estate Industry in 2016” (2016中國房地產百強貢獻人物). Mr. Lin has more than 20 years of experience in the PRC real estate market and is a councilor of China Real Estate Association (中國房地產業協會). In October 2011, Mr. Lin was awarded “Outstanding Professional Manager in China for the Year of 2011” (2011年度中國傑出經理人). In March 2017, Mr. Lin was awarded “2017 China Top 100 Real Estate Entrepreneurs” (2017中國房地產百強企業家). Many members of our senior management team also have extensive experience and expertise in their respective fields, which covers all the key aspects of our operation. This diversity of knowledge and expertise has helped us to form a broad strategic vision to further our sustainable growth. In addition, we have experienced and dedicated employees with substantial expertise in property development, product design, finance and other relevant areas. We recruit employees from well-known universities in the PRC and leading enterprises in their respective fields. We also provide our employees with continuing vocational training to expand their expertise and professional knowledge. We believe with the leadership of a professional and experienced management team supported by our team of experienced professionals, along with their commitment to a high level of corporate governance and sound business practices, we will achieve sustainable long-term growth and maximize value to our shareholders, customers and employees.

OUR STRATEGIES

We strive to become one of the largest real estate developers in the PRC. To achieve our goal, we intend to implement the following strategies:

Enhance Leading Position in Existing Markets and Strategically Expand into Other Selected Markets

We intend to adhere to our “145X” strategy and will continue to enhance our leading position in markets in which we currently have a presence to expand our economies of scale and market shares in such regions and cities. In addition, we plan to leverage our deep-plow strategy, brand name, extensive experience and sophisticated property development capabilities to strategically expand into selected new cities, such as Beijing, Jinan and Guangzhou, as well as selected new regions, such as the Pearl River Delta Region. We select these regions and cities based on our existing geographic presence and the growth potential of their real estate markets. These regions are either the most economically prosperous areas in China, or regions we envisage entail strong growth potential under the urbanization and other policies of the PRC government. Moreover, we may also prudently seek appropriate opportunities to tap into overseas markets.

Focus on High Quality and Balanced Future Growth

We will utilize a balanced and disciplined approach to grow our property development projects while also focusing on the quality of such growth. We will continue to implement “reserve cycle” land acquisition strategy in order to obtain additional quality land parcels at competitive costs. We expect to improve our internal land acquisition and evaluation procedures and further improve our target market research analysis capability. Decision as to land acquisition will be made only after comprehensive and in-depth market research, feasibility study and forecast with strict internal review procedures performed. We expect such continued enhancement in our land acquisition evaluation model to better identify high-premium projects and reduce land acquisition cost. At the same time, we will refine our managerial capability and optimize resource allocation to advance scalability. We plan to further strengthen the managerial capability at our headquarters level, to enable our city and project companies to better reduce the resources required to successfully manage its daily operations, while increase efficiency in managing project development, marketing and sales and customer services activities. We will also forge additional strategic relationships with contractors and suppliers, devote resources to enhancing procurement, marketing and pre-sale/sales activities, aiming at reducing our development and operational costs. Finally, we intend to carefully monitor our expansion in conjunction with the increase in our professional workforce and management capacities to ensure that we are able to manage all of our projects efficiently and continue to offer high quality products. We believe such efforts will enable us to further shorten development cycle, ensure stable level of high quality growth, thereby preserving sound returns for our shareholders.

Utilize Diversified Investment Strategy and Identify New Growth Opportunities

We intend to utilize a diversified investment strategy to achieve continued growth of our business at competitive costs. Such strategy includes enhancing our land acquisition methodology, such as by identifying strategic partners and exploring new investment opportunities. For example, we will continue to increase our efforts in cooperating with other third-party developers through joint ventures and associated companies, or acquire land from third parties by acquiring equity interest in companies that possess land use rights.

We also intend to further expand our development in commercial and mixed-use properties and selectively increase our investment property portfolio to maintain a balanced and comprehensive development portfolio. In particular, we will further strengthen our presence in the first-tier cities, such as Shanghai, and certain second-tier cities in China with a prosperous real estate market, such as Nanjing, by offering new commercial and mixed-use projects to promote our brand recognition in the next three to five years. We believe that our investment properties will be able to generate sustainable rental income, thereby help reduce volatility of our revenue, diversify our risk exposure, provide stable cash flow and complement the value of our properties located in the same or neighboring complexes. We will strengthen our capability to procure well-known brands as anchor tenants to increase the attractiveness of our investment properties and establish long-term relationships with such brands.

Furthermore, we may strategically invest in or partner with companies in industries related to our property development business or that can increase the value or attractiveness of our properties, such as companies that operate along the property development industry value chain, provide premium services in our investment properties or value-added services to our residential properties. We believe such growth opportunities will further assist the sustainable growth of our business in the property market in China.

Further Enhance Our Customer-Oriented Product Offerings, Brand Equity and Customer Loyalty

We will further innovate our product designs and tailor our product offerings based on the preferences and demands of our target customers. We will endeavor to expand our database of standardized designs, components and modules for our projects. We plan to optimize our product portfolio to better serve the demand for mid- to high-end properties, while further fine-tuning our products for the different geographical regions and cities to suit various types of land reserves and to best appeal to target customers in different cities with their different demands and purchasing power. We intend to continue to pay significant attention to details so that the design of our products will bring increased convenience to our customers based on their lifestyle and habits. In addition, we will also enhance our in-house product design team through recruitment and fortify our relationship with leading architectural and design firms to provide quality products to our customers. We will continue to develop high quality residential properties with notable architectural and landscape designs that offer comfortable living environment, catering to the needs of our target customers. We also endeavor to develop well-planned commercial and mixed-use properties, secure well-known anchor stores as tenants and present attractive experience stores and spaces to boost in-store consumer experiences and increase consumer flow. Moreover, we plan to advance our brand through marketing initiatives and other measures such as advertising campaigns, participating in property exhibitions and trade conventions, sponsoring sports teams, and charity activities. We believe our efforts will enable us to further augment our brand equity, which will also serve to amplify the value of our properties and facilitate to increase customer satisfaction and loyalty.

Remain Dedicated to Prudent Financial Policies and Optimize Our Capital Structure

The property development industry is highly capital intensive. Over years, in order to capture market opportunities in the real estate market, we significantly expanded our development activities, which subjected us to substantial bank and other borrowings. In addition, property developments typically require substantial capital outlay during the construction period but may take a significantly longer period of time before any revenue can be generated through the sales and delivery of completed projects. As of June 30, 2017, advances from pre-sales of our properties amounted to RMB36,549.9 million. We believe our cash flows and liquidity position will be continuously improved as such properties, together with other properties currently under development, are completed and delivered.

We plan to continue to adhere to internal and industry financial policies and prudent financial and cost management practices. We have adopted and aim to refine various measures to control our cost and monitor our cash flow. Especially, we intend to continue our prudent policies in controlling costs relating to our land acquisitions and construction activities. We will continue our centralized procurement policies to control our

development costs. We will also constantly review and verify the costs and expenses incurred along with the development activities against the master budget of each project, in order to ensure that the target costs are met. We will strive to further utilize our working capital more efficiently. To this end, we will proactively consider multiple opportunities available to us in order to dilute risks of concentration of a particular type of property projects or in a particular location.

On the other hand, we will further adhere to our established dynamic realizable-market- value-based inventory management approach as to our operation to ensure flexibility in the pricing of our properties while maintaining appropriate level of cash flow and return of our property projects. We will also ensure sufficient level of cash flow while pursuing land acquisition opportunities prudently. Additionally, we endeavor to shorten our project development cycle to improve our operating efficiency, which we believe will expedite our asset turnover and enhance our liquidity position.

We will also increase the close monitoring of our capital and indebtedness level by reviewing our gearing ratio and leverage ratio. We closely analyze the maturity profiles of our borrowings and manage our liquidity level to ensure sufficient cash flow to service our indebtedness and meet cash requirements arising from our business. We will continue to carefully review any leverage that we use when we acquire new assets to expand our business with reference to cost, equity size and profit impact.

Furthermore, we will explore various financing opportunities to improve our capital structure and reduce our cost of capital, including but not limited to issuance of new corporate bonds, asset-based securities programs or other debt financings. We may also seek investments from strategic equity investors to reduce our capital commitments. Since 2017, we have also actively explored co-development opportunities with other reputable real estate developers, which enabled us to reduce the capital commitments in connection with land acquisitions and relevant project construction activities.

Attract, Retain and Motivate Skilled and Talented Employees

We believe high-quality employees who value our corporate culture are essential elements for our sustainable growth. We intend to attract and retain skilled and talented employees from reputable PRC universities through various initiatives, including our creative trainee programs, competitive compensation packages and effective incentive system. We will also further arrange for internal seminars and external training opportunities to enhance their competency. In addition, we will continue to build up our corporate culture by fostering entrepreneurial working environment and elite culture. We believe such culture will promote innovation and collaboration, leading to increased efficiency, greater loyalty, job satisfaction, engagement and commitment to their work, resulting in improved return on the overall operation of our Group. With a strong reputation for excellence and a dedicated workforce, we believe we are well-positioned to expand our business and maximize the value of our shareholders.

OUR PROPERTY PROJECTS

Overview

We develop a variety of residential, commercial and mixed-use properties. For our residential projects, we focus on developing quality residential units with comfortable living environment and convenient ancillary facilities at prime locations, which we believe meet the needs of our target customers. Our residential properties primarily include high-rise, mid-rise and low-rise apartment buildings and townhouses. Our commercial properties generally consist of office spaces, SOHO spaces, shopping malls and retail spaces which comprise of pedestrian shopping streets and ground-floor shops. Such commercial properties are integrated with or in the vicinity of the residential buildings in our mixed-use complexes. We currently hold as investment properties the commercial spaces of our shopping malls at the commercial or mixed-use complexes we developed. As of October 31, 2017, we had 81 property projects with an aggregate GFA attributable to us of approximately 11.5 million sq.m., including (i) the total GFA available for sale and total leasable GFA for completed properties, (ii) total GFA for properties under development and (iii) total GFA for properties held for future development. Our property projects are located in 17 cities in four core business regions at various stages of development, of which 64 property projects were owned and developed by us, ten property projects were developed by our Joint Ventures and seven property projects were developed by our associated companies. As of October 31, 2017, we had an aggregate GFA of 10.4 million sq.m. for property projects that were developed by our subsidiaries, comprising completed properties available for sale or lease with an aggregate GFA of approximately 1.4 million sq.m., properties under development with an aggregate GFA of approximately 4.9 million sq.m. and properties

held for future development with an aggregate GFA of approximately 4.1 million sq.m. As of the same date, we had an aggregate GFA attributable to us of 0.8 million sq.m. for property projects that were developed by our Joint Ventures, comprising properties under development with an aggregate GFA attributable to us of approximately 0.4 million sq.m. and properties held for future development with an aggregate GFA attributable to us of approximately 0.4 million sq.m. As of the same date, we had an aggregate GFA attributable to us of 0.3 million sq.m. for property projects that were developed by our associated companies, comprising properties under development with an aggregate GFA attributable to us of approximately 0.1 million sq.m. and properties held for future development with an aggregate GFA attributable to us of approximately 0.2 million sq.m. As of the same date, completed investment properties with a total GFA of approximately 340,805 sq.m., investment properties under development with a total GFA of approximately 124,617 sq.m., and investment properties held for future development with a total GFA of approximately 262,003 sq.m., which were owned and managed by us.

The following map shows the geographical locations and key information of our developments as of October 31, 2017:



Classification of Our Property Projects

We generally classify our property projects into the following three categories:

- completed projects or project phases;
- projects or project phases under development; and
- projects or project phases held for future development.

A project or project phase is classified as completed when the required land use rights certificates issued by the relevant government authorities and the completion certificate has been obtained from the relevant government construction authorities.

A project or a project phase is classified as under development when the required construction work commencement permits have been obtained but a completion certificate has not been obtained for all phases of the project.

A project or a project phases is considered to be held for future development when (i) we have obtained the land use rights certificate, but have not obtained the requisite construction work commencement permits or (ii) we have signed a land grant contract for the underlying parcel of land with relevant government authorities, but have not obtained relevant land use rights certificate.

As some of our projects comprise multiple-phase developments that are completed on a rolling basis, a project may fall into one or more of the above categories.

Detailed descriptions of each of our projects as set forth in this information memorandum are as of June 30, 2017, unless otherwise dated. The commencement date relating to each project or each phase of a

project refers to the date construction commenced on the first building of the project or phase. The completion date set out in the descriptions of our completed projects or phases refers to the date on which the completed construction works certified report was obtained for each project or each phase of a multi-phase project. For projects or phases under development or for future development, the completion date reflects our best estimate based on our current development plans.

Site area is calculated as follows:

- for projects or phases for which we have obtained land use rights, based on the relevant land use right certificates; or
- for projects or phases for which we have not obtained land use rights, based on the relevant land grant contracts.

Total GFA is calculated as follows:

- for projects and phases that are completed, based upon relevant property completion certificate or property inspection report;
- for projects and phases that are under development, based upon the relevant construction work planning permit, or based upon other documentation issued by relevant government authorities if the construction work planning permit is not available; and
- for projects and phases that are held for future development, based upon the total GFA indicated in property master plans or based on our internal records and development plans, which may be subject to change.

Total GFA as used in this prospectus is comprised of saleable GFA and non-saleable GFA. Non-saleable GFA as used in this information memorandum refers to certain communal facilities and ancillary facilities, such as certain underground GFA and spaces for security offices, for which pre-sale permits will not be issued. Saleable GFA as used in this prospectus refers to the internal floor areas exclusive of non-saleable GFA. Saleable GFA is further divided into saleable GFA pre-sold/sold and saleable GFA unsold. A property is pre-sold when we have executed the purchase contract but yet delivered the property to the customer. A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer.

Total saleable GFA is calculated as follows:

- for projects and phases that are completed, based on the relevant property ownership certificate or property inspection report;
- for projects and phases under development, based upon the relevant pre-sale permit, or based on the construction work planning permit if the pre-sale permit is not available, or based upon other documentation issued by relevant government authorities if the construction work planning permit is not available; and
- for projects and phases that are held for future development, based upon our internal records and development plans. The total GFA we intend to sell does not exceed the multiple of site area and the maximum permissible plot ratio as specified in the relevant land grant contracts or other approval documents from the local governments relating to the project.

Our classification of our properties reflects the basis on which we operate our business and may differ from classifications employed by other developers. Each property project or project phase may require multiple land use rights certificates, construction permits, pre-sale permits and other permits and certificates, which may be issued at different times throughout the development process.

Land Bank and Property Portfolio

The following table sets forth the GFA breakdown of our property portfolio as of October 31, 2017 in terms of geographic location:

	Number of Projects	Completed GFA available for Sale/Leasable GFA ⁽¹⁾ (in sq.m.)	GFA Under Development (in sq.m.)	Planned GFA of Future Development (in sq.m.)	Total Land Bank ⁽²⁾ (in sq.m.)	% of Total Land Bank
Property Projects Developed by Our Subsidiaries						
<i>Yangtze River Delta Economic Region</i>						
Shanghai	5	180,448	484,403	233,617	898,468	7.8
Jiaxing	1	—	—	185,027	185,027	1.6
Nanjing	4	259,870	610,368	325,530	1,195,768	10.4
Chuzhou	1	—	—	191,708	191,708	1.7
Suzhou	8	165,811	677,928	267,393	1,111,131	9.7
Hefei	3	—	421,938	386,246	808,184	7.0
Sub-total	22	606,129	2,194,638	1,589,520	4,390,287	38.1
<i>Midwest China Economic Region</i>						
Wuhan	1	—	161,023	35,819	196,842	1.7
Changsha	2	66,378	251,422	629,336	947,136	8.2
Xi'an	2	—	124,217	211,093	335,310	2.9
Sub-total	5	66,378	536,662	876,248	1,479,288	12.9
<i>Bohai Economic Rim</i>						
Tianjin	3	7,713	416,526	127,711	551,950	4.8
Sub-total	3	7,713	416,526	127,711	551,950	4.8
<i>Western Taiwan Straits Economic Zone</i>						
Fuzhou	9	86,059	600,969	215,117	902,145	7.8
Nanping	1	47,404	188,297	260,076	495,777	4.3
Pingtang	5	29,033	304,528	441,631	775,192	6.7
Putian	11	465,593	404,089	450,855	1,320,537	11.5
Nanchang	6	76,915	190,732	118,534	386,181	3.4
Yichun	2	7,590	77,484	2,700	87,773	0.8
Sub-total	34	712,594	1,766,099	1,488,913	3,967,606	34.5
Attributable-total⁽³⁾ ...	64	1,392,813	4,913,926	4,082,392	10,389,131	90.2
Property Held by Our Joint Ventures						
<i>Yangtze River Delta Economic Region</i>						
Jiaxing ⁽⁴⁾	1	—	—	42,373	42,373	0.4
Suzhou ⁽⁵⁾	3	—	40,189	17,975	58,164	0.5
Hefei ⁽⁶⁾	2	—	154,294	32,974	187,268	1.6
<i>Midwest China Economic Region</i>						
Wuhan ⁽⁴⁾	1	—	—	194,566	194,566	1.7
Changsha ⁽⁴⁾	1	—	152,438	20,680	173,117	1.5
<i>Western Taiwan Straits Economic Zone</i>						
Nanchang ⁽⁷⁾	2	—	45,776	90,354	136,130	1.2
Attributable-total⁽³⁾	10	—	392,696	398,921	791,617	6.9
Property Held by Our Associated Companies						
<i>Yangtze River Delta Economic Region</i>						
Shanghai ⁽⁸⁾	1	—	—	61,445	61,445	0.5
Nanjing ⁽⁸⁾	1	—	—	49,776	49,776	0.4
Suzhou ⁽⁹⁾	2	—	85,668	22,597	108,266	0.9
<i>Midwest China Economic Region</i>						
Wuhan ⁽¹⁰⁾	1	—	—	31,132	31,132	0.3
Zhengzhou ⁽¹¹⁾	1	—	19,468	33,645	53,114	0.5
<i>Bohai Economic Rim</i>						
Tianjin ⁽¹²⁾	1	—	—	27,463	27,463	0.2
Attributable-total⁽³⁾	7	—	105,137	226,060	331,196	2.9
Total	81	1,392,813	5,411,758	4,707,372	11,511,944	100.0

Notes:

(1) Includes saleable GFA remaining unsold and leasable GFA.

- (2) Total land bank equals to the sum of (i) total GFA available for sale and total leasable GFA for completed properties, (ii) total GFA for properties under development and (iii) total GFA for properties held for future development. For projects held by our Joint Ventures and associated companies, total GFA will be adjusted by our equity interest in the respective project.
- (3) For projects held by our Joint Ventures or our associated companies, total GFA will be adjusted by our equity interest in the respective project.
- (4) We hold a 50% equity interest in each of these projects.
- (5) We hold a 49% equity interest in Suzhou Jinhui Zhenro Four Seasons, which is jointly controlled and developed by us with an independent third party property developer. We hold a 50% equity interest in each of Suzhou No. WJ-J-2017-017 and Suzhou No. WJ-J-2017-016.
- (6) We hold a 49% equity interest in Hefei Country Garden Zhenro Jade Yue and a 33% equity interest in Hefei Century World.
- (7) We hold a 19% equity interest in Nanchang Garden and a 25% equity interest in Nanchang Zhenro Linlong Mansion.
- (8) We hold a 20% equity interest in this project.
- (9) We hold a 20% equity interest in Suzhou Yuzhou Zhaoshang Shili and a 36% equity interest in Suzhou WJ-J-2017-019.
- (10) We hold a 5% equity interest in this project.
- (11) We hold a 24% equity interest in this project.
- (12) We hold a 13% equity interest in this project.

We have accounted for such properties as completed properties held for sale. As part of our day-to-day operations, we monitor our business practice related to the Civil Defense Law to ensure such compliance. See “Regulation — Civil Air Defense Property” for details.

Our Property Projects

The following table sets forth a summary of our property projects and project phases developed, including projects and project phases held for future development as of October 31, 2017.

Project	Site Area (in sq.m.)	Actual/ Estimated Construction Commencement Date	Actual/ Estimated Construction Completion Date	Actual/ Pre-sale Commencement Date	Completed		Under Development			Future Development		Development Cost Incurred as of June 30, 2017 ⁽⁵⁾ (in RMB millions)	Estimated Future Development Cost as of June 30, 2017 ⁽⁵⁾ (in RMB millions)	Group's Interest in the Project as of Valuation Date ⁽⁶⁾ (%)	Group's Attributable Value as of the Valuation Date ⁽⁶⁾ (in RMB millions)	Reference to Property Valuation Report	
					Unsaleable GFA/GFA Sold ⁽¹⁾ (in sq.m.)	GFA Available for Sale/ Leasable GFA ⁽²⁾ (in sq.m.)	Total GFA Completed (in sq.m.)	Saleable GFA (in sq.m.)	Pre-Sold GFA (in sq.m.)	Total GFA Under Development (in sq.m.)	GFA with Land Use Right not yet Obtained (in sq.m.)						Total Estimated GFA for Future Development (in sq.m.)
Property Projects Developed by Our Subsidiaries																	
Shanghai																	
1. Shanghai Hongqiao Zhenro Mansion Phase 1	82,362		Actual/ Estimated Construction Completion Date Jun. 2017	Actual/ Pre-sale Commencement Date Jul. 2015	19,696	74,560	94,256	46,230	31,630	58,897	—	3,832.1	1,216.4	100.0	4,607.6	56	
Phase 2	35,759		Actual/ Estimated Construction Completion Date Mar. 2018	Actual/ Pre-sale Commencement Date Apr. 2016	19,696	74,560	94,256	—	—	—	—	—	—	—	—	—	
Shanghai Hongqiao Fortune Center	24,039		Actual/ Estimated Construction Completion Date Dec. 2020	Actual/ Pre-sale Commencement Date N.A. ⁽⁶⁾	—	—	—	—	—	—	—	—	—	—	—	—	
2. Shanghai Hongqiao Zhenro Center Phase 1	73,695		Actual/ Estimated Construction Completion Date Dec. 2016	Actual/ Pre-sale Commencement Date Aug. 2015	73,818	69,992	143,810	87,375	12,250	89,623	—	4,113.1	520.6	100.0	3,174.0	54	
Phase 2	50,585		Actual/ Estimated Construction Completion Date Nov. 2018	Actual/ Pre-sale Commencement Date Sep. 2017	73,818	69,992	143,810	—	—	—	—	—	—	—	—	—	
Shanghai Zhenro Royal Kingdom Phase 1	110,022		Actual/ Estimated Construction Completion Date May 2016	Actual/ Pre-sale Commencement Date Aug. 2014	64,439	30,947	95,386	80,065	44,830	104,988	—	3,167.4	382.8	100.0	2,454.0	55	
Phase 2	55,274		Actual/ Estimated Construction Completion Date Mar. 2018	Actual/ Pre-sale Commencement Date Dec. 2015	64,439	30,947	95,386	—	—	—	—	—	—	—	—	—	
Shanghai Zhenro The Capital of Jinshan Phase 1	145,685		Actual/ Estimated Construction Completion Date Jun. 2016	Actual/ Pre-sale Commencement Date Oct. 2014	117,054	4,278	121,333	102,604	56,377	111,603	—	1,687.2	909.1	90.0	1,683.9	57	
Phase 2	60,692		Actual/ Estimated Construction Completion Date Jul. 2018	Actual/ Pre-sale Commencement Date Jul. 2016	117,054	4,278	121,333	—	—	—	—	—	—	—	—	—	
Phase 3	43,045		Actual/ Estimated Construction Completion Date Dec. 2020	Actual/ Pre-sale Commencement Date Mar. 2019	—	—	—	102,064	56,377	111,603	—	—	—	—	—	—	
Shanghai Zhenro Fontainebleau Phase 1	102,806		Actual/ Estimated Construction Completion Date Dec. 2016	Actual/ Pre-sale Commencement Date Sep. 2015	45,036	670	45,706	98,553	60,355	119,292	—	1,225.8	297.6	90.0	1,113.3	58	
Phase 2	33,008		Actual/ Estimated Construction Completion Date Mar. 2018	Actual/ Pre-sale Commencement Date Jun. 2016	45,036	670	45,706	—	—	—	—	—	—	—	—	—	
Phase 3	32,000		Actual/ Estimated Construction Completion Date Feb. 2019	Actual/ Pre-sale Commencement Date May 2017	—	—	—	55,274	34,034	62,606	—	—	—	—	—	—	
Shanghai subtotal	514,570				320,043	180,448	500,491	414,288	205,441	484,403	—	233,617	—	—	—	—	
Jiaxing																	
6. Jiaxing No. 2017 Jiaxiuzhou-044	72,100		Actual/ Estimated Construction Completion Date Apr. 2020	Actual/ Pre-sale Commencement Date Jul. 2018	—	—	—	—	—	—	185,027	N.A.	N.A.	100.0	N.A.	N.A.	
Jiaxing subtotal	72,100				—	—	—	—	—	—	185,027	185,027	—	—	—	—	
Nanjing																	
7. Nanjing Zhenro Riverside Wonderland	71,345		Actual/ Estimated Construction Completion Date Dec. 2018	Actual/ Pre-sale Commencement Date Aug. 2014	171,919	12,129	184,048	78,633	62,400	103,794	—	2,822.6	379.9	100.0	2,344.0	41	

Project	Site Area (in sq.m.)	Actual/ Estimated Construction Commencement Date	Actual/ Estimated Construction Completion Date	Actual/ Pre-sale Commencement Date	Completed			Under Development			Future Development			Estimated Development Cost as of June 30, 2017 ^(a) (in RMB millions)	Group's Interest in the Project as of Valuation Date ^(b) (%)	Group's Attributable Value as of the Valuation Date ^(b) (in RMB millions)	Reference to Property Valuation Report (Property No.)
					Unsaleable GFA/GFA Sold ^(c) (in sq.m.)	GFA Available for Sale/ Leasable GFA ^(d) (in sq.m.)	Total GFA Completed (in sq.m.)	Saleable GFA (in sq.m.)	Pre-Sold GFA (in sq.m.)	Total GFA Under Development (in sq.m.)	GFA with Land Use Right not yet Obtained (in sq.m.)	Total Estimated GFA for Future Development (in sq.m.)	Development Cost Incurred as of June 30, 2017 (in RMB millions)				
8. Nanjing Zhenro Splendid Land	105,353	Jun. 2014	Jan. 2019	Dec. 2014	99,161	103,115	202,277	158,400	99,125	190,645	—	—	3,942.7	555.9	100.0	7,356.0	40
9. Nanjing Zhenro Royal Fame	89,559	Nov. 2014	May 2019	Jan. 2015	44,154	144,625	188,779	117,544	97,821	152,873	—	—	5,155.1	813.9	100.0	7,478.0	42
10. Nanjing Zhenro Riverside Violet Mansion	83,048	N.A. ⁽⁷⁾	Dec. 2016	Dec. 2020	—	—	—	153,596	—	163,056	—	—	3,842.2	3,288.1	100.0	4,336.0	43
Parcel A	N.A. ⁽⁷⁾	Dec. 2016	Dec. 2020	Jan. 2018	—	—	—	153,596	—	163,056	—	—	—	—	—	—	—
Parcel B	N.A. ⁽⁷⁾	Mar. 2018	Dec. 2020	Aug. 2018	—	—	—	—	—	—	—	—	—	—	—	—	—
Nanjing subtotal	349,305				315,234	259,870	575,104	508,173	259,347	610,368	—	—	—	—	—	—	—
Chuzhou																	
11. Chuzhou Zhenro Mansion	80,867	Dec. 2017	Apr. 2021	Dec. 2017	—	—	—	—	—	—	—	—	N.A.	N.A.	100.0	447.0	44
Chuzhou subtotal	80,867				—	—	—	—	—	—	—	—	—	—	—	—	—
Suzhou																	
12. Suzhou Zhenro Royal Kingdom	107,542	May 2014	Dec. 2018	Nov. 2014	194,513	18,644	213,158	2,376	—	2,376	—	—	2,346.6	161.0	62.7	663.3	45
Suzhou Zhenro Happiness Town	84,678				181,351	34,491	328,518	—	—	—	—	—	3,423.3	142.6	51.9	980.4	46
Phase 1	48,866	Dec. 2014	Aug. 2017	Dec. 2014	75,257	112,676	187,932	—	—	—	—	—	—	—	—	—	—
Phase 2	35,812	May 2015	Aug. 2017	Sep. 2015	106,095	34,491	140,586	—	—	—	—	—	—	—	—	—	—
14. Suzhou Zhenro Top Mountain	65,679	Mar. 2016	May 2018	May 2016	—	—	—	104,876	104,876	133,632	—	—	611.6	170.6	100.0	1,010.0	47
15. Suzhou Zhenro Mejestic Garden	29,531	Oct. 2016	Dec. 2018	Apr. 2017	—	—	—	43,034	20,719	54,647	—	—	354.4	132.2	80.0	337.6	48
16. Suzhou Yue Tang Bay Garden House	105,210	Jul. 2017	Sep. 2020	Jul. 2017	—	—	—	209,768	55,802	265,876	—	—	490.5	1,164.6	100.0	1,935.6	51
17. Suzhou No. Studi 2016-WG-77	62,582				—	—	—	128,105	—	172,436	—	—	54,307	2,522.4	1,395.7	2,748.9	49
Parcel A	7,239	Apr. 2018	Oct. 2020	Nov. 2020	—	—	—	—	—	—	—	—	54,307	—	—	—	—
Parcel B	24,583	Oct. 2017	Nov. 2019	Dec. 2019	—	—	—	56,767	—	77,799	—	—	—	—	—	—	—
Parcel C	30,760	Sep. 2017	May 2019	Jun. 2019	—	—	—	71,338	—	94,636	—	—	—	—	—	—	—
18. Suzhou No. 320582004060																	
GB00020 and 320582004060	98,783	Dec. 2017	Dec. 2019	Mar. 2018	—	—	—	—	—	—	156,240	156,240	—	775.8	100.0	Nil	52
19. Suzhou No. 320517503401	21,638	Sep. 2017	Nov. 2019	Dec. 2017	—	—	—	36,153	—	48,960	—	—	N.A.	N.A.	100.0	134	53

Project	Site Area (in sq.m.)	Actual/ Estimated Construction Commencement Date	Actual/ Estimated Construction Completion Date	Actual/ Estimated Pre-sale Commencement Date	Completed		Under Development			Future Development			Estimated Development Cost as of June 30, 2017 ^(a) (in RMB millions)	Group's Interest in the Project as of Valuation Date ^(b) (%)	Group's Attributable Value as of the Valuation Date ^(b) (in RMB millions)	Reference to Property Valuation Report (Property No.)
					Unsaleable GFA/GFA Sold ^(c) (in sq.m.)	GFA Available for Sale/ Leasable GFA ^(d) (in sq.m.)	Saleable GFA (in sq.m.)	Pre-Sold GFA (in sq.m.)	Total GFA Under Development (in sq.m.)	GFA with Land Use Right not yet Obtained (in sq.m.)	Total Estimated GFA for Future Development (in sq.m.)	Development Cost Incurred as of June 30, 2017 ^(a) (in RMB millions)				
Suzhou subtotal	575,643				375,865	165,811	541,676	524,312	181,397	677,928	156,240	267,393				
Hefei																
20. Hefei Capital Yue	120,705	Sep. 2017	May 2020	Oct. 2017	—	—	—	198,857	—	248,240	—	121,344	1,929.2	100.0	3,856.0	66
21. Hefei City 1907	111,380	Jul. 2017	Jul. 2020	Sep. 2017	—	—	—	70,325	39,376	70,325	—	264,902	1,315.1	25.0	514.8	67
22. Hefei Zhenro Mansion	38,221	Aug. 2017	Oct. 2020	Mar. 2018	—	—	—	78,424	—	103,373	—	—	898.2	100.0	954.0	68
Hefei subtotal	270,305				—	—	—	347,606	39,376	421,938	—	386,246				
Wuhan																
23. Wuhan Zhenro Mansion	48,736				—	—	—	143,869	31,182	161,023	—	35,819	1,211.8	100.0	1,219.7	64
Parcel A	39,235	Jan. 2017	Sep. 2019	May 2017	—	—	—	143,869	31,182	161,023	—	—	—	—	—	—
Parcel B	9,501	Jan. 2018	Apr. 2019	Apr. 2018	—	—	—	—	—	—	—	35,819	—	—	—	—
Wuhan subtotal	48,736				—	—	—	143,869	31,182	161,023	—	35,819				
Changsha																
24. Changsha Zhenro Fortune Center	145,220				113,949	66,378	180,326	205,472	96,097	251,422	—	293,818	1,409.7	100.0	1,013.5	38
South 1	48,021 ⁽⁷⁾	Dec. 2013	May 2018	Jun. 2014	95,715	4,564	100,278	—	—	42,979	—	—	—	—	—	—
South 2	48,021 ⁽⁷⁾	Dec. 2013	May 2018	Mar. 2017	—	—	—	97,062	96,097	99,908	—	—	—	—	—	—
North 1	97,199 ⁽⁷⁾	Apr. 2015	Mar. 2020	Sep. 2015	18,234	61,814	80,048	39,491	—	39,491	—	—	—	—	—	—
North 2	97,199 ⁽⁷⁾	Oct. 2017	Oct. 2019	May 2018	—	—	—	68,918	—	69,044	—	293,818	—	—	—	—
25. Changsha Binjiang Zhenro Mansion	106,652	Apr. 2018	May 2021	Jul. 2018	—	—	—	—	—	—	—	335,519	736.5	100.0	979.0	39
Changsha subtotal	251,872				113,949	66,378	180,326	205,472	96,097	251,422	—	629,336				
Xi'an																
26. Xi'an Jingheng Rainbow Valley	30,422	Sep. 2015	Mar. 2018	Dec. 2015	—	—	—	119,772	6,153	124,217	—	—	654.5	100.0	960.7	62
27. Xi'an No. QJ10-8-484 and QJ10-8-485	39,322				—	—	—	—	—	—	—	211,093	N.A.	100.0	376.7	63
Parcel of Land No. QJ10-8-484	24,150	Nov. 2017	Oct. 2019	Dec. 2017	—	—	—	—	—	—	—	108,002	—	—	—	—
Parcel of Land No. QJ10-8-485	15,172	Nov. 2017	Jul. 2020	Oct. 2018	—	—	—	119,772	6,153	124,217	—	103,091	—	—	—	—
Xi'an subtotal	69,743				—	—	—	119,772	6,153	124,217	—	211,093				
Tianjin																
28. Tianjin Zhenro Jade Bay Phase 1	127,697	Jan. 2015	Dec. 2016	Apr. 2015	173,019	7,713	180,733	96,932	93,860	131,652	—	—	2,902.1	100.0	2,236.0	59
Phase 2	66,955	Jan. 2015	Dec. 2016	Apr. 2015	173,019	7,713	180,733	—	—	—	—	—	—	—	—	—
	60,742	Aug. 2015	Apr. 2018	Dec. 2015	—	—	—	96,932	93,860	131,652	—	—	—	—	—	—

Project	Site Area (in sq.m.)	Actual/ Estimated Construction Commencement Date	Actual/ Estimated Construction Completion Date	Actual/ Estimated Pre-sale Commencement Date	Completed		Under-Development			Future Development			Estimated Future Development Cost as of June 30, 2017 ⁽⁶⁾ (in RMB millions)	Group's Interest in the Project as of Valuation Date ⁽⁶⁾ (%)	Group's Attributable Value as of the Valuation Date ⁽⁶⁾ (in RMB millions)	Reference to Property Valuation Report (Property No.)	
					Unsaleable GFA/GFA Sold ⁽⁷⁾ (in sq.m.)	GFA Available for Sale/ Leasable GFA ⁽⁸⁾ (in sq.m.)	Total GFA Completed (in sq.m.)	Saleable GFA (in sq.m.)	Pre-Sold GFA (in sq.m.)	Total GFA Under Development (in sq.m.)	GFA with Land Use Right not yet Obtained (in sq.m.)	Estimated GFA for Future Development (in sq.m.)					Development Cost Incurred as of June 30, 2017 (in RMB millions)
29. Tianjin Zhenro Zhenro Mansion	129,309																
Phase 1	111,524	Feb. 2017	Jun. 2019	Mar. 2017	—	—	—	211,043	115,805	284,874	—	28,456	2,149.4	1,101.2	100.0	2,671.0	60
Phase 2	17,785	Jul. 2017	Nov. 2019	N/A ⁽⁸⁾	—	—	—	211,043	115,805	270,646	—	28,456	—	—	—	—	—
Tianjin No. Jinnanhonggua 2016-099	18,190	May 2018	Nov. 2020	Dec. 2018	—	—	—	—	—	—	—	—	1,904.2	1,100.9	100.0	1,952.7	61
Tianjin subtotal	275,196				173,019	7,713	180,733	307,975	209,665	416,526	—	127,711					
Fuzhou																	
31. Fuzhou Zhenro Fortune Center	113,333				309,788	84,694	394,483	—	—	—	—	—	2,834.4	241.9	85.0	652.6	2
Phase 1	66,667	Apr. 2014	Aug. 2016	May 2014	247,303	6,110	253,414	—	—	—	—	—	—	—	—	—	—
Phase 2	46,667 ⁽⁷⁾	Mar. 2015	Sep. 2016	Jul. 2015	—	77,199	77,199	—	—	—	—	—	—	—	—	—	—
Phase 3	46,667 ⁽⁷⁾	Oct. 2014	Dec. 2016	Dec. 2014	62,485	1,385	63,871	—	—	—	—	—	—	—	—	—	—
Fortune Center	67,032				—	—	—	231,618	135,918	253,198	—	—	1,571.2	426.8	62.5	1,369.7	3
Phase 1	N.A. ⁽⁷⁾	Apr. 2015	Sep. 2018	May 2015	—	—	—	—	—	—	—	—	—	—	—	—	—
Phase 2	N.A. ⁽⁷⁾	May 2015	Jan. 2019	Apr. 2016	—	—	—	139,684	97,634	159,022	—	—	—	—	—	—	—
Fuzhou Zhenro Rivage Garden	51,447				193,905	1,365	195,270	—	—	—	—	—	1,032.4	11.6	63.0	14.1	1
Phase 1	N.A. ⁽⁷⁾	Oct. 2012	Oct. 2015	Oct. 2012	160,854	1,365	162,218	—	—	—	—	—	—	—	—	—	—
Phase 2	N.A. ⁽⁷⁾	Oct. 2012	Oct. 2015	May 2013	33,051	—	33,051	—	—	—	—	—	—	—	—	—	—
Fuzhou Zhenro Mansion	66,872				—	—	—	206,845	21,771	215,384	—	—	2,227.0	771.5	100.0	2,386.0	6
Phase 1	6,290	Dec. 2016	Dec. 2019	N.A. ⁽⁸⁾	—	—	—	—	—	600	—	—	—	—	—	—	—
Phase 2	19,434	Mar. 2017	Dec. 2019	Nov. 2017	—	—	—	68,305	—	70,124	—	—	—	—	—	—	—
Phase 3	41,149	Sep. 2016	Dec. 2019	Nov. 2016	—	—	—	138,540	21,771	144,660	—	—	—	—	—	—	—
Fuzhou Zhenro Rivage City	22,778	Jan. 2010	Aug. 2012	Sep. 2012	84,240	—	84,240	—	—	—	—	—	1,013.3	—	100.0	N.A.	N.A.
Mawei Zhenro Top Mountain	25,027	Nov. 2016	Apr. 2019	Mar. 2017	—	—	—	41,712	15,213	43,400	—	—	184.2	187.9	100.0	353.0	7
Fuzhou Zhenro Yue Lan Bay	29,160	Nov. 2016	Apr. 2019	Dec. 2016	—	—	—	85,796	19,920	88,988	—	16,265	400.7	276.4	80.0	383.2	8
Fuzhou Zhenro Yuejingtai	35,164	Apr. 2018	Jul. 2020	Aug. 2018	—	—	—	—	—	—	154,554	154,554	N.A.	N.A.	100.0	Nil	13
Mawei No. Mazhongdi 2017-07	36,014	Feb. 2019	Sep. 2020	Mar. 2019	—	—	—	—	—	—	44,298	44,298	N.A.	N.A.	100.0	Nil	12
Fuzhou subtotal	446,828				587,933	86,059	673,992	565,971	192,822	600,969	198,851	215,117					
Nanping																	
40. Nanping Zhenro Fortune Center Parcel 1	205,827				178,193	47,404	225,597	151,138	37,940	188,297	—	260,076	1,725.5	928.6	55.0	497.8	14

Project	Site Area (in sq.m.)	Actual/ Estimated Construction Commencement Date	Actual/ Estimated Construction Completion Date	Actual/ Pre-sale Commencement Date	Completed		Under-Development			Future Development			Estimated Development Cost as of June 30, 2017 ^(a) (in RMB millions)	Group's Interest in the Project as of Valuation Date ^(b) (%)	Group's Attributable Value as of the Valuation Date ^(b) (in RMB millions)	Reference to Property Valuation Report	
					Unsaleable GFA/GFA Sold ^(c) (in sq.m.)	GFA Available for Sale/ Leasable GFA ^(d) (in sq.m.)	Total GFA Completed (in sq.m.)	Saleable GFA (in sq.m.)	Pre-Sold GFA (in sq.m.)	Total GFA Under Development (in sq.m.)	GFA with Land Use Right not yet Obtained (in sq.m.)	Total Estimated GFA for Future Development (in sq.m.)					Development Cost Incurred as of June 30, 2017 (in RMB millions)
Phase 1	87,546	Jun. 2013	Nov. 2019	Jul. 2013	47,404	225,597	68,878	37,940	92,125	—	—	—	—	—	—	—	—
Parcel 1	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Phase 2	42,231	Dec. 2018	Nov. 2020	Nov. 2019	—	—	—	—	—	—	—	—	—	—	—	—	—
Parcel 2	76,050	Jul. 2013	Apr. 2019	Jun. 2018	—	82,260	—	—	96,171	—	—	—	—	—	—	—	—
Nanping subtotal	205,827	—	—	—	178,193	47,404	225,597	151,138	37,940	188,297	—	—	—	—	—	—	—
Pingtian																	
41. Pingtian Zhenro Smooth Sea	86,217	—	—	—	266,213	29,033	295,246	44,849	42,389	57,749	—	—	1,614.0	236.6	51.0	374.9	4
Phase 1	48,282	Sep. 2014	Sep. 2018	Sep. 2014	133,326	5,249	138,575	44,849	42,389	57,749	—	—	—	—	—	—	—
Phase 2	37,935	Dec. 2014	Mar. 2017	Feb. 2015	132,887	23,785	156,671	—	—	—	—	—	—	—	—	—	—
42. Pingtian Zhenro Royal Lake Bay	23,228	Sep. 2015	Dec. 2018	Sep. 2015	—	—	—	86,893	86,834	109,428	—	—	446.7	100.3	51.0	300.5	5
Bay	38,550	—	—	—	—	—	—	102,505	64,102	137,351	—	—	401.6	467.6	51.0	249.9	9
Phase 1	19,275	Mar. 2017	Apr. 2020	Jun. 2017	—	—	—	51,042	45,404	69,558	—	—	—	—	—	—	—
Phase 2	19,275	Aug. 2017	Oct. 2020	Dec. 2017	—	—	—	51,463	18,698	67,793	—	—	—	—	—	—	—
44. Pingtian Zhenro Mansion Phase 1	66,560	Mar. 2018	Oct. 2021	Dec. 2017	—	—	—	—	—	—	—	—	239,620	239,620	100.0	Nil	10
Phase 2	52,321	May 2018	Sep. 2021	Oct. 2018	—	—	—	—	—	—	—	—	202,011	202,011	100.0	Nil	11
Pingtian subtotal	266,876	—	—	—	266,213	29,033	295,246	234,246	193,326	304,528	441,631	441,631	—	1,823.4	100.0	Nil	—
Putian																	
46. Putian Zhenro Smooth Jade	70,655	Sep. 2014	Apr. 2017	Sep. 2014	86,481	181,680	268,162	—	—	—	—	—	2,358.6	185.6	100.0	1,978.1	20
Putian Zhenro Fortune Center	199,941	—	—	—	592,016	232,666	819,405	—	—	—	—	—	—	—	—	—	—
Parcel A1	N.A. ⁽⁷⁾	Jun. 2014	Jan. 2017	Jun. 2014	98,499	192,527	285,749	—	—	—	—	—	—	—	—	—	—
Parcel A2	N.A. ⁽⁷⁾	Mar. 2018	Dec. 2020	Apr. 2018	—	—	—	—	—	—	—	—	—	—	—	—	—
Parcel B1	N.A. ⁽⁷⁾	Apr. 2013	Jan. 2016	Apr. 2013	222,526	17,399	239,926	—	—	—	—	—	—	—	—	—	—
Parcel B2	N.A. ⁽⁷⁾	Nov. 2013	Nov. 2016	Dec. 2013	270,990	22,739	293,730	—	—	—	—	—	—	—	—	—	—
48. Putian Zhenro Royal Orchid Bay	30,844	Jun. 2011	Apr. 2014	Aug. 2011	110,054	64	110,117	—	—	—	—	—	595.8	—	100.0	0.7	18
Putian Zhenro Times Plaza	118,943	May 2007	Mar. 2014	Dec. 2009	184,318	44,769	229,088	—	—	—	—	—	1,437.9	—	100.0	614.3	16
Putian Zhenro Litchi Garden	35,268	Jan. 2007	Jun. 2010	Dec. 2007	77,324	819	78,143	—	—	—	—	—	341.2	—	100.0	2.4	17
Putian Zhenro Royal Family	42,431	Sep. 2012	Oct. 2016	Nov. 2012	89,947	5,595	95,542	—	—	—	—	—	589.2	—	100.0	72.6	15

Project	Completed			Under Development			Future Development			Estimated Future Development Cost as of June 30, 2017 ^(a) (in RMB millions)	Group's Interest in the Project as of Valuation Date ^(b) (%)	Group's Attributable Value as of the Valuation Date ^(b) (in RMB millions)	Reference to Property Valuation Report (Property No.)				
	Site Area (in sq.m.)	Actual/Estimated Construction Commencement Date	Actual/Estimated Construction Completion Date	Actual/Estimated Pre-sale Commencement Date	Unsaleable GFA/GFA Sold ^(c) (in sq.m.)	GFA Available for Sale/Leasable GFA ^(d) (in sq.m.)	Total GFA Completed (in sq.m.)	Saleable GFA (in sq.m.)	Pre-Sold GFA (in sq.m.)					Total GFA Under Development (in sq.m.)	GFA with Land Use Right not yet Obtained (in sq.m.)	Total Estimated GFA for Future Development (in sq.m.)	Development Cost Incurred as of June 30, 2017 (in RMB millions)
52. Putian Zhenro Mansion	94,108	Aug. 2016	Dec. 2019	Aug. 2016	—	—	275,747	179,808	293,673	—	—	1,040.8	675.3	100.0	1,092.5	21	
53. Putian Zhenro Royal Mansion	33,283	Sep. 2017	Nov. 2019	Dec. 2017	—	—	110,416	—	110,416	—	—	680.5	378.1	100.0	715.1	22	
54. Putian No. PS Pat-2017-10	79,698	Feb. 2018	Aug. 2020	May 2018	—	—	—	—	—	159,487	159,487	539.1	1,132.5	100.0	1,018.3	23	
55. Putian Binxi Zhenro Mansion	23,926	Mar. 2018	May 2020	Jun. 2018	—	—	—	—	—	—	65,850	N.A.	N.A.	100.0	Nil	24	
56. Putian Shishi Zhenro Mansion	33,942	Dec. 2017	Mar. 2020	May 2018	—	—	—	—	—	—	115,599	N.A.	N.A.	100.0	414.9	25	
Putian subtotal	763,037				1,140,139	465,593	1,600,456	386,164	179,808	404,089	159,487	450,855					
Nanchang																	
57. Nanchang Zhenro First Mansion	59,558	Nov. 2014	Aug. 2017	Jun. 2015	160,113	2,391	162,504	—	—	—	—	1,226.3	83.1	100.0	41.3	32	
58. Nanchang Zhenro Embellish City	68,313	Jun. 2014	Sep. 2016	Sep. 2014	280,451	8,181	288,632	—	—	—	—	1,537.6	—	100.0	87.8	33	
59. Nanchang Zhenro Royal Sunrise	177,761				577,981	23,263	601,244	—	—	—	—	3,628.1	—	100.0	—	—	
Nanchang Zhenro The Country	36,488	Mar. 2013	Feb. 2016	Aug. 2014	151,567	9,442	161,009	—	—	—	—	—	—	—	133.8	31	
Nanchang Zhenro Royal Summit	44,387	Jun. 2013	Jun. 2016	May 2014	133,293	5,266	138,559	—	—	—	—	—	—	—	94.5	30	
Nanchang Zhenro Royal Quality	46,986	Aug. 2011	Sep. 2015	Aug. 2013	135,585	6,288	141,874	—	—	—	—	—	—	—	122.5	29	
Nanchang Zhenro Royal Statue	22,185	Aug. 2011	May 2015	Nov. 2011	63,469	1,807	65,276	—	—	—	—	—	—	—	25.8	28	
Nanchang Zhenro Royal Garden	27,715	Dec. 2010	Nov. 2013	Nov. 2011	94,067	460	94,527	—	—	—	—	—	—	—	7.6	27	
60. Nanchang Zhenro The Capital of Great Loch	872,794	May 2004	Jun. 2017	Oct. 2004	1,296,256	43,081	1,339,336	—	—	—	—	4,092.8	305.4	100.0	346.8	26	
61. Nanchang Zhenro Mansion	103,413	Mar. 2017	Nov. 2020	Jul. 2017	—	—	—	124,438	29,239	170,011	—	118,534	1,577.2	100.0	1,613.0	34	
62. Nanchang West Lake Violet Mansion	7,049	Apr. 2017	Nov. 2019	Nov. 2017	—	—	—	13,980	—	20,721	—	163.9	121.2	100.0	192.0	35	
Nanchang subtotal	1,288,888				2,314,802	76,915	2,391,716	138,418	29,239	190,732	—	118,534					
Yichun																	
63. Yichun Zhenro Royal Riverside	171,791				398,361	7,564	405,924	73,805	72,868	77,484	—	2,700	1,715.0	254.3	100.0	589.4	37
South I	N.A. ⁽⁷⁾	Mar. 2012	Apr. 2013	Mar. 2012	29,891	—	29,891	—	—	—	—	—	—	—	—	—	

Project	Site Area (in sq.m.)	Actual/ Estimated Construction Commencement Date	Actual/ Estimated Construction Completion Date	Actual/ Estimated Pre-sale Commencement Date	Completed		Under-Development			Future Development		Development Cost Incurred as of June 30, 2017 ⁽⁶⁾ (in RMB millions)	Estimated Future Development Cost as of June 30, 2017 ⁽⁶⁾ (in RMB millions)	Group's Interest in the Project as of Valuation Date ⁽⁶⁾ (%)	Group's Attributable Value as of the Valuation Date ⁽⁶⁾ (in RMB millions)	Reference to Property Valuation Report (Property No.)
					Unsaleable GFA/GFA Sold ⁽⁶⁾ (in sq.m.)	GFA Available for Sale/ Leasable GFA ⁽⁶⁾ (in sq.m.)	Pre-Sold GFA (in sq.m.)	Total GFA Under Development (in sq.m.)	GFA with Land Use Right not yet Obtained (in sq.m.)	Total Estimated GFA for Future Development (in sq.m.)						
South 2	N.A. ⁽⁷⁾	Mar. 2012	Dec. 2013	May 2012	1,274	181,532	—	—	—	2,700	—	—	—	—	—	—
North 1	N.A. ⁽⁷⁾	Aug. 2013	Aug. 2015	Nov. 2013	4,444	111,635	—	—	—	—	—	—	—	—	—	—
North 2	N.A. ⁽⁷⁾	Jun. 2014	Jun. 2018	Apr. 2015	1,845	82,866	12,561	13,764	—	—	—	—	—	—	—	—
North 3	N.A. ⁽⁷⁾	Jul. 2015	Aug. 2018	Mar. 2017	—	—	61,245	63,720	—	—	—	—	—	—	—	—
64. Yichun Zhenro	138,667	Sep. 2007	Sep. 2013	Dec. 2007	223,761	223,787	—	—	—	—	480.3	—	100.0	0.1	36	
Landscape Riverside	310,458				622,122	73,805	72,868	77,484	—	2,700	—	—	—	—	—	—
Yichun subtotal	5,790,253				6,407,512	1,392,813	1,734,661	4,913,926	1,141,236	4,082,392	—	—	—	—	—	—
Total																
Property Held by Our Joint Ventures																
Jiaxing																
65. Jiaxing Zhongnan Zhenro	33,424	Nov. 2017	Dec. 2019	Dec. 2018	—	—	—	—	—	—	84,746	N.A.	50.0	N.A.	N.A.	N.A.
Haishang Mingyue																
Suzhou																
66. Suzhou Jinhui Zhenro	32,044	May 2017	Mar. 2019	Sep. 2017	—	—	62,488	2,530	82,018	—	—	N.A.	49.0	N.A.	N.A.	N.A.
Four Seasons																
67. Suzhou No.	5,759	Nov. 2017	Mar. 2019	Mar. 2019	—	—	—	—	—	—	21,534	N.A.	50.0	N.A.	N.A.	N.A.
WJ-J-2017-017																
68. Suzhou No.	7,585	Nov. 2017	Mar. 2019	Mar. 2019	—	—	—	—	—	—	14,417	N.A.	50.0	N.A.	N.A.	N.A.
WJ-J-2017-016																
Hefei																
69. Hefei Country Garden	44,787	Apr. 2017	Jun. 2020	Jul. 2017	—	108,994	90,353	117,976	—	—	—	N.A.	49.0	N.A.	N.A.	N.A.
Zhenro Jade Yue																
70. Hefei Century World	130,918	Jul. 2017	Oct. 2019	Aug. 2017	—	—	276,805	42,976	292,379	99,922	—	N.A.	33.0	N.A.	N.A.	N.A.
Wuhan																
71. Wuhan Zhenro Royal	136,139				—	—	—	—	—	—	389,131	N.A.	50.0	2,413.4	65	
Summit																
Phase 1	N.A. ⁽⁷⁾	Apr. 2018	Jan. 2020	Jun. 2018	—	—	—	—	—	—	192,806	—	—	—	—	—
Phase 2	N.A. ⁽⁷⁾	Mar. 2019	Jun. 2021	Sep. 2019	—	—	—	—	—	—	196,325	—	—	—	—	—
Changsha																
72. Changsha Meixi	108,221				—	—	238,133	121,766	304,876	—	—	N.A.	50.0	N.A.	N.A.	N.A.
Zhenro Manston																
Phase 1	N.A. ⁽⁷⁾	Sep. 2016	Sep. 2018	Nov. 2016	—	—	148,097	121,766	193,487	—	—	—	—	—	—	—
Phase 2	N.A. ⁽⁷⁾	Dec. 2017	Apr. 2020	Dec. 2017	—	—	90,036	—	111,388	—	—	—	—	—	—	—
Nanchang																
73. Nanchang Garden	90,420	Sep. 2017	Sep. 2019	Sep. 2017	—	—	189,408	75,343	240,926	—	—	N.A.	19.0	N.A.	N.A.	N.A.

Project	Site Area (in sq.m.)	Actual/ Estimated Construction Commencement Date	Actual/ Estimated Construction Completion Date	Actual/ Estimated Pre-sale Commencement Date	Completed		Under-Development			Future Development		Development Cost Incurred as of June 30, 2017 ⁽⁶⁾ (in RMB millions)	Estimated Future Development Cost as of June 30, 2017 ⁽⁶⁾ (in RMB millions)	Group's Interest in the Project as of Valuation Date ⁽⁶⁾ (%)	Group's Attributable Value as of the Valuation Date ⁽⁶⁾ (in RMB millions)	Reference to Property Valuation Report (Property No.)
					Unsaleable GFA/GFA Sold ⁽⁶⁾ (in sq.m.)	GFA Available for Sale/ Leasable GFA ⁽⁶⁾ (in sq.m.)	Total GFA Completed (in sq.m.)	Saleable GFA (in sq.m.)	Pre-Sold GFA (in sq.m.)	Total GFA Under Development (in sq.m.)	GFA with Land Use Right not yet Obtained (in sq.m.)					
74. Nanchang Zhenro Linlong Mansion	72,103	Dec. 2017	Nov. 2019	Jan. 2018	—	—	—	—	—	—	603.2	507.0	25.0	N.A.	N.A.	
Total	658,630				—	—	—	—	—	—						
Attributable total⁽⁹⁾	260,235				—	—	—	—	—	—						
Property Held by our Associated Companies																
Shanghai																
75. Shanghai No. 20141937077643 9142	70,857	May 2018	Nov. 2020	Dec. 2020	—	—	—	—	—	—	N.A.	N.A.	20.0	N.A.	N.A.	
Nanjing																
76. Nanjing No. 320115001022 GB00780- GB00784	54,173	Apr. 2018	Jun. 2021	Jun. 2018	—	—	—	—	—	—	N.A.	N.A.	20.0	N.A.	N.A.	
Suzhou																
77. Suzhou Yuzhou Zhaoshang Shili	128,313	Jul. 2017	Nov. 2019	Oct. 2017	—	—	—	118,354	17,853	207,594	N.A.	N.A.	20.0	N.A.	N.A.	
78. Suzhou WJ-J-2017-019	66,738	Oct. 2017	Nov. 2018	Dec. 2018	—	—	—	68,949	—	122,638	244.3	1,229.1	36.0	354.7	50	
Wuhan																
79. Wuhan Qingneng Zhenro Mansion	156,511	Apr. 2018	Nov. 2021	Oct. 2018	—	—	—	—	—	—	N.A.	N.A.	5.0	N.A.	N.A.	
Zhengzhou																
80. Zhengzhou Xuhui Zhenro Capital Mansion	69,439	Aug. 2017	Mar. 2019	Oct. 2017	—	—	—	81,118	—	81,118	N.A.	N.A.	24.0	N.A.	N.A.	
Tianjin																
81. Tianjin No. Jinbinbeitangua 2017-1- A/B/C/D/E/F/G/H/I/J	149,245	Apr. 2018	Dec. 2019	Jun. 2018	—	—	—	—	—	—	219,707	219,707	12.5	N.A.	N.A.	
Total	695,415				—	—	—	268,421	17,853	411,350	468,587	1,651,633				
Attributable total⁽⁹⁾	117,868				—	—	—	72,066	3,571	105,137	77,239	226,060				
Total Land Bank⁽¹⁰⁾	6,169,713				6,407,512	1,392,813	7,795,048	4,519,596	1,873,124	5,411,758	1,141,236	4,707,372				

(1) Includes unsaleable GFA and GFA sold. Equals to total completed GFA minus GFA available for sale and leasable GFA.

(2) Includes saleable GFA remaining unsold and leasable GFA.

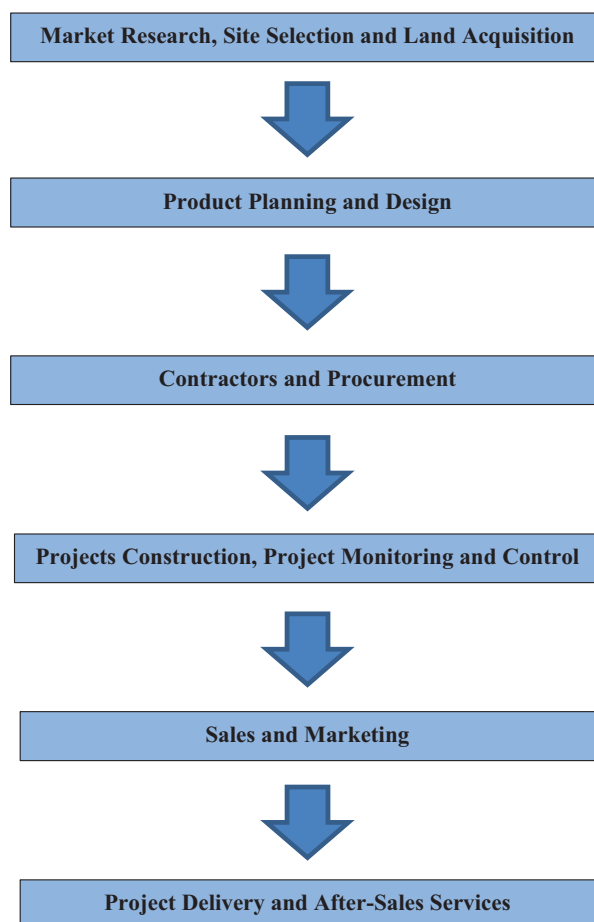
(3) Based on our internal record and current plan and subject to changes resulting from changes of market environment and our adjustment of the cost structure of the entire project.

- (4) Based on our effective equity interest in the respective project companies as of the valuation date set forth in the “Property Valuation Report” in Appendix III.
- (5) Equals to value of the project in proportion to our Group’s interest in the project as of the Valuation Date.
- (6) Shanghai Hongqiao Fortune Center is planned to be held for investment.
- (7) Relevant land use right certificate was granted to the entire land parcel and breakdown of site area for each phase was not available.
- (8) Represent unsaleable ancillary areas.
- (9) For projects held by our Joint Ventures and associated companies, total GFA will be adjusted by our equity interest in the respective project. We use attributable total GFA in the calculation of our total land bank.
- (10) Total land bank equals to the sum of (i) total GFA available for sale and total leasable GFA for completed properties, (ii) total GFA for properties under development and (iii) total GFA for properties held for future development. For projects held by our Joint Ventures and associated companies, total GFA will be adjusted by our equity interest in the respective project.

OUR PROJECT OPERATION AND MANAGEMENT

Our Project Development Process

We have demonstrated strong execution capabilities and experience with the development of various types of property projects, ranging from large-scale residential properties to integrated mixed-use properties that include residential buildings, shopping mall(s), SOHO and office spaces and other surrounding commercial spaces. The diagram below set forth the major stages typically involved in our development of a property project:



Market Research and Site Selection

We typically select sites for the development of our projects in urban centers and central areas of newly developed districts in economically developed cities, as well as other cities in China that we believe have strong prospects for growth. Our market research efforts cover general studies on selected cities where we have operations or plan to expand into, and will include information and analysis on potential customers, customer demands and the availability and estimated cost of suitable land parcels in such cities.

Prior to acquiring a parcel of land, our management will consider key factors that influence the growth of the local property market and make an informed decision based on a feasibility analysis and research. The key factors we consider in site selection include, among others, the following:

- general economic conditions and development prospects of a city;
- income levels and purchasing power of local residents;
- population density of the city and the local areas, particularly the surrounding area within five kilometers from the target site;
- infrastructure, urban planning and the development plan of the local government;
- growth trend of the local property market;

- location of the site in the city, proximity to the city center and access to transport and public facilities;
- suitability of the site for our product positioning; and
- estimated development costs and time and expected investment returns.

We devote significant management resources to the site selection process, which involves collaboration among departments with different functions. Once an in-depth feasibility study of a targeted land parcel is available, our investment management center, product research and development department, marketing management department, cost management department, finance management center and operation management department, our local management teams of the relevant potential property projects, and as the case may be, our commercial asset management department and legal affair department, will participate into a feasibility study meeting to evaluate such investment opportunity. The results of such evaluation will then be submitted to our investment committee for consideration and final decision making. Our investment committee, which typically comprises our Chairman of the Board of Directors, our president, as well as the vice presidents of the relevant departments at our headquarters level, reviews and approves the potential property development.

Land Acquisition

Under current PRC laws and regulations, land use rights for the purpose of industrial use, commercial use, tourism, entertainment and commodity housing developments must be granted by the government through public tender, auction or listing-for-sale. We primarily acquire land for our projects through the listing-for-sale process organized by the relevant government authorities. When deciding to whom the land use rights should be granted, the relevant authorities may consider not only the bidding price, but also the bidder's real estate development experience, development track record, credit history, qualifications and development proposal in connection with their local zoning, urbanization and development plans. In addition, we also acquire land through auctions and public tenders.

We have also employed land acquisition strategies to acquire land at competitive costs by cooperating with third-party business partners through joint ventures and associated companies. In November 2016, we entered into a business cooperation agreement with a regional property developer to invest in, and jointly manage, a project company initially established by such property developer who won the bid for land parcel No. 2016-WG-56 in Suzhou in September 2016. In addition, we occasionally acquire land parcels from third parties by acquiring equity interests in companies that possess land use rights. In November 2016, we acquired from an independent third party 100% equity interest in Hunan Xiushan Lishui, which possesses two land parcels in Changsha for our Changsha Binjiang Zhenro Mansion project with an aggregate site area of 106,652 sq.m. As we believe that acquiring land parcels at competitive prices is critical to our development strategy, we will employ the acquisition strategy that we believe will best meet such goal.

In conjunction with the acquisition of land use rights from the PRC government, property developers in the PRC are required to pay a land grant premium to the relevant government authority and apply for a land use rights certificate (if applicable, a real estate rights certificate) conferring land use rights. In general, upon the payment of the land grant premium to the relevant land authorities, land use rights are granted for a term of 70 years for residential properties, 40 years for mixed-use complexes and 50 years for office complexes.

Project Planning and Design

We have strong in-house design capabilities with a dedicated product research and development department of more than 100 employees. We have established standardized designs, components and modules for our projects to ensure efficiency and cost control, while we adapt and revise these standard designs to our development projects, taking into account local esthetic preferences, government policies, product positioning and market conditions.

Our product design philosophy is to introduce customer-oriented designs that best suit the needs of our customers. We pay significant attention to details so that the design of our products will bring increased convenience and value-added experience to our customers based on their lifestyle and habits. For example, we design and develop community farm focusing on planting display, ecological education and community events in our residential property projects. Our first community farm, Zhenro Farm, which is located in Suzhou Zhenro Royal Kingdom and opened in 2015, communicates the value of nature and creates a healthy and happy urban

community that is highly recognized by our customers. We are also actively engaged in designing indoor and outdoor health facilities for all ages and for all seasons. Moreover, unlike traditional entrance cabinets with shoe storage compartment in most other property developments, the standardized entrance cabinet system in most of our residential properties is designed for multi-function purposes, allowing our customers to place and storage handbags, keys, shoes and umbrellas, as well as to conceal meter box in the entry halls to optimize house design. We believe our attention to such planning and product innovations showcases our focus on our customers and that we strive to provide them with the best experience as to our products, which we believe also complement the value of our properties.

When developing a project, our product research and development department formulates the master planning and design specifications for the project under development. They ensure that the master design concept and design plan meet our internal design philosophy and standards and conform to our cost control and operational requirements. In addition, based on our product database, they collaborate with city and project companies, other relevant departments at our headquarters, and third-party architectural and design firms during the planning and design process to prepare more detailed architectural plans and design drawings.

We typically use a tender process on a project-by-project basis in selecting third-party architectural and design firms and request such potential firms to provide a proposal with a fee quote. In making our decision, we consider their proposed design concepts, former experience with major property developers, innovation capability, reputation for reliability and quality as well as our previous experience working with them and the price of their proposed services. We currently maintain strategic relationships with several leading third-party architectural and design firms, such as Aedas, EKISTICS, DLC and S.P.I. Landscape, and expect to deepen our cooperation with such firms in the future. These firms are architects and designers that we have previous working relationships with, are familiar with our product requirements and have illustrated strong design capabilities. As such, we believe these firms will be able to most efficiently assist us and reduce the overall timeframe required for product design and development.

Contractors and Procurement

Contractors and Sub-contractors

We outsource the construction work of our property development projects to qualified contractors. We usually engage a general contractor for the major construction of a project, including main structure construction, equipment installation and engineering work. Many of the general contractors we have worked with hold the Premium Grade Constructor Qualification in the PRC. We maintain strategic cooperative relationships with several leading domestic contractors in China, including China Nuclear Industry Huaxing Construction Company Limited. In addition, we also involve specialized contractors in specific areas, such as landscaping and foundation works. We believe that contracting our construction work could allow us to leverage the expertise of the construction contractors and minimize certain risks, such as risks from fluctuations in the cost of certain raw materials, and allow us to focus on our principal business of property development.

The tender process is managed by the cost management department at our headquarters and relevant regional management and project company level. We maintain a database of more than 100 approved qualified contractors from which we select to attend the tender process in accordance with relevant PRC laws and regulations. We conduct due diligence on major potential contractors, such as inspecting their credentials and on-site supervision of their offices and property projects, and only those contractors who have passed our due diligence are admitted to our database. We seek tenders from at least four contractors for one bid from our database of approved qualified contractors and conduct price and quality assessment on such contractors. In selecting the winning bid, we typically consider the contractors' professional qualifications, technical capabilities, industry reputation, construction team in charge of the potential project, track record and price.

General contractors and sub-contractors will enter into a construction agreement based on the standard template provided by the relevant government authority. Pursuant to such agreements, the general contractors and sub-contractors are obliged to undertake the entire construction work in strict compliance with laws and regulations as well as our design specifications and time schedules. In general, we pay the contractor 70% to 80% of the full contract price during the construction process by stage payments, according to the stages of construction process. We usually pay approximately 95% to 97% of the total contract price upon the completion of the project and settlement, while holding back the remaining approximately 3% to 5% as retention fee for quality warranties purpose. The construction contractors are generally required to provide us with a warranty period typically ranging from one to five years, for any losses we may incur as a result of not being able to meet

contractually specified quality standards. The unused portion of the retention fee will be returned to the contractors after the warranty period has expired. We may also agree to settle the retention fee by installments over the warranty period. However, we will also be able to claw back any portion of such retention fee already remitted to the contractor to cover any losses that we may incur that is greater than the unremitted portion. In addition, under circumstances where the construction schedules are delayed for more than the period of time as stipulated in the agreements, we will also be entitled to a pre-determined amount as a penalty payment and, in some cases, we will have the right to terminate the agreements.

Procurement

We are responsible for purchasing certain specialized building materials and equipment such as doors, windows, and air conditioning systems directly from suppliers through tender processes. We typically procure materials from our database of approved qualified suppliers to ensure quality. Our database collects information as to such suppliers, including their quality of service and pricing, which are regularly reviewed and updated by us. We seek tenders from at least four suppliers for one bid from our database of approved suppliers and conduct price and quality assessment on these suppliers. In deciding the winning bid, we consider factors such as product and service quality and suitability of such suppliers to our potential projects and reputation.

Most building construction materials, such as steel and cement, are procured by contractors we engage, although we typically designate the brands and quality requirements of these construction materials as part of our construction agreements. With respect to most of our general contracting agreements, the construction contract price will be adjusted if the market price fluctuation of such materials exceeds a certain threshold (typically 3% to 10%), and we, as a result, will bear the risks or enjoy the benefits associated with such price increases or decreases outside this range. Our construction materials are primarily purchased from suppliers in the PRC.

Our construction management department at our headquarters and the individual construction management teams of our city and project companies oversee the quality of each project development, conduct monthly on-site inspection and pre-examine the construction materials before they are used in the projects. For certain specialized building materials and equipment we procure on our own, we do not generally maintain construction material inventory, but order these materials and equipment only on an as needed basis.

Project Construction

To comply with relevant PRC laws and regulations, before construction can commence, we must first obtain the development rights to the relevant land parcel and the necessary permits and certificates, which include the land use rights certificate (if applicable, the real estate rights certificate), the construction land planning permit, the construction work planning permit and the construction work commencement permit (which will only be issued after the land use rights certificate (if applicable, the real estate rights certificate), the construction land planning permit and the construction work planning permit are obtained). As of the date of this information memorandum, except for the projects we had not commenced construction, we had obtained land use rights certificates and all relevant certificates (if applicable, real estate rights certificate) and permits as required by the PRC laws and regulations for all of our projects or project phases under development and projects held for future development.

Moreover, we are also required to commence construction of our developments within the time prescribed by PRC laws and regulations or otherwise our lands may be regarded as “idle land” and as a result we may be subject to certain penalties and the idle land might be resumed without any compensation. Under the Measures on Disposing of Idle Land promulgated by the MLR on April 28, 1999 and revised on June 1, 2012, “idle land” is defined as the granted state-owned construction land that (i) failed to commence construction within one year from the construction date undertaken in its land grant contract; or (ii) its construction has been suspended for over one year and the area under construction is less than one third of the total area ought to be under construction or the invested capital is less than 25% of the total amount of capital ought to be invested. In the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, we did not hold any idle lands and were not required to forfeit any land or pay any idle land fee by the government authorities.

Project Monitoring and Control

Quality Control

High quality properties are critical to our reputation and business success. We have placed, and will continue to place, significant emphasis on quality control over our project development to ensure regulatory compliance and high quality residential products. Quality control starts with the selection of high quality construction contractors, and we have already established long-term relationships with several construction contractors. See “— Our Project Operation and Management — Contractors and Procurement — Contractors and Sub-contractors.” We inspect and review the qualification and performances of these contractors regularly to ensure they are performing up to our standards. We also perform extensive due diligence in the selection of other service providers as well, including external architectural and design firms, and raw material suppliers, based on factors such as their quality, reputation and track record.

We have also established a comprehensive set of standardized technical and quality control guidelines that provide detailed requirements as to quality control standards and specifications for all major aspects of our construction processes. To implement our quality control guidelines, we have established a three-tiered quality control system that governs each aspect of the development process. Our construction management and quality control teams at our project company, regional management and headquarters level are comprised of qualified engineers and construction technicians.

Progress Control

We have established a project schedule management system that specifies the timeframe in which each check point needs to be achieved during the project development process. We have integrated the project schedule management system into our IT system. This system automatically alerts the relevant departments and responsible staff and officers of the timeliness of their performance for each task. Any delay to a check point will draw the immediate attention of our management at our headquarters, so that our management are able to track and adjust such schedule in accordance with market conditions. Such project schedule management system enables us to monitor the pace of each project development in a timely manner and to quickly identify any potential delays to the final schedule. Once a delay to a check point is identified, our city and project companies and our construction management department at our headquarters will aim to implement remedial measures to shorten the time frame for future milestones to ensure that the overall project timeline will not be compromised or to reduce the impact of such delay. In addition, we provide detailed project construction timelines in our agreements with third-party construction contractors and will closely monitor to ensure that such timeline is met.

Cost Control

We have established a comprehensive cost management system to set the relevant budget for our projects, including how to assess the different cost components. For each project, the relevant city and project company, as approved by its general manager, shall prepare a master budget, which will be submitted to the cost management department and finance management center at the headquarters level and then ultimately approved by our chief executive officer.

We have established a dedicated cost management department at our headquarters to approve and monitor all construction and supplier agreements entered into. The cost management department reviews and ensures that the relevant contracted amount and payment schedule is in accordance with those set forth in our master budget. The agreements are recorded in our ERP system that forms part of IT system. The contract management system provides us with the capability to keep track of payment schedules which helps us to manage our payments and cash flow. Our finance management center and cost management department review and verify the actual costs incurred in detail and compare such costs with the master budget and with similar expenses incurred at our other projects on a monthly basis. We believe such cost control procedures enable our management to identify and anticipate situations where actual cost may exceed the initially approved budget and to take the appropriate remedial measure in a timely manner as a result. In the event that the master budget for a project needs to be revised, approval from our senior management must be obtained. In addition to our cost control procedures, our centralized procurement of certain specified construction materials and equipment also contribute to our ability to control development cost.

Sales and Marketing

Sales and Marketing Efforts of Our Group

Our in-house sales and marketing team was established at both headquarters and the regional management level. The marketing management department at our headquarters is in charge of formulating marketing strategies and setting marketing goals, controlling project marketing control and budget and evaluating the performance of the local sales and marketing team. The sales and marketing teams designated by our regional management teams, on the other hand, are responsible for the formulation and execution of detailed project marketing plans. To ensure better management and quality control, the regional management teams, instead of the project companies, manage the sales and marketing of individual property projects.

We rely on the efforts of our own marketing management departments for the sale of most of our properties. We believe by establishing and strengthening our own sales and marketing team, and leveraging the supports of our other departments, we are better positioned to gain deeper understanding of the market in order to improve our marketing and pricing efforts, and better able to identify industry trends and customer demands that can benefit in optimizing our products. Furthermore, we believe the interest of our own sales and marketing team are better aligned with our Group as compared to external real estate sales agencies. Our sales and marketing personnel are incentivized by performance-based compensation packages. We believe we provide relative competitive incentives to our sales and marketing staff, which are based on the performance evaluation of the individual sales and marketing personnel and their marketing teams.

We occasionally engage third-party real estate sales agents depending on market conditions and our overall sales condition of the particular project to facilitate our sales and marketing efforts. These real estate sales agents promote our property projects through their own marketing networks and bring in potential customers in their database to our project sites. In consideration of their services, we typically pay a commission depending on the total sales amount they make.

Our marketing management department is generally involved from the early stage of project development to ensure that our property developments are well positioned and priced by providing valuable information relating to our target market, local pricing information, pricing of competitive projects, customers and estimated sales velocity. We conduct our marketing activities for a property development project in two key phases:

- The first phase begins with the construction commencement ceremony and marks the official launch of the marketing process for the relevant project. Our marketing and promotional programs at this stage include (i) establishing on-site sales office and (ii) advertising through a variety of media, including television, newspapers and magazines, point-of-sale materials, the Internet, mobile media and outdoor billboards. Our marketing goal is to promote market awareness of the project and to enhance our corporate image.
- The second phase begins with initiation of pre-sale. Our marketing and promotional programs at this stage focus on more detailed property product introduction and open house events. We set up on-site reception centers to display model units of our projects and other detailed information about the development. The marketing and promotional goal is to attract potential purchasers and to stimulate interest in various types of properties in the project.

For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017, our selling and distribution expenses were approximately RMB332.2 million, RMB557.7 million, RMB587.5 million, RMB237.9 million and RMB284.9 million (US\$42.0), respectively.

Pre-Sale

We generally commence the pre-sale of our properties prior to completion of construction. Prior to starting pre-sale, we will complete and stage select demonstration units and display areas in order to provide visual presentations to our customers as to the quality of our products. We launch pre-sale upon the receipt of

pre-sale permits in accordance with the PRC laws and regulations. Amongst others, we must fulfill the following conditions before we can obtain the pre-sale permits:

- the land premium is paid in full and the land use right certificate must have been obtained;
- the construction work planning permit and the construction work commencement permit must have been obtained;
- in terms of the properties put into pre-sale, at least 25% of the total amount of the investment fund has been injected into the development and the progress of construction and the expected completion and delivery dates have been ascertained;
- the progress of the construction should meet the local government's requirements for pre-sale; and
- the pre-sale has been registered.

For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, we did not experience any significant delays in obtaining the pre-sale permits.

In addition, property developers are also required to use a standard pre-sale contract prescribed by the relevant local authorities. In accordance with the requirements of applicable PRC laws and regulations, we register such pre-sales with the relevant local authorities and provide warranties on the quality of properties we sell to our customers for periods shorter than that for the quality warranties we receive from our construction contractors under the relevant construction contracts.

Pricing Policies

Prior to the launch of our sales efforts for a project, we establish the overall marketing budget, overall sales targets for each project and target ASPs based on our total costs incurred and our target probability levels. Total costs incurred include all costs incurred in relation to the construction of the property development project, including land costs, construction costs, marketing costs and capitalized finance costs. A premium will be added based on our target rate of return, overall sales target for each project and the competitive landscape.

Due to the highly competitive and evolving nature of the real estate industry in China, we are required to constantly monitor the changing market condition and adjust the sales prices of our projects as appropriate. We have adopted a dynamic realizable-market-value-based inventory management approach in the entire life cycle of a property project, focusing on maximizing returns for our property projects, optimizing cash position and responding quickly to market changes. As part of our overall goal and strategic plan, we set annual targets as to the total sales price and revenue for all of our property projects, which are based on our development plan, estimated cash flow, market prospects, estimated costs and profit target. In accordance with such targets, we manage our property inventory position on the basis of their realizable market value. Accordingly, we establish additional or adjust our investment plans and product positioning, design, sales price and marketing approach in view of such estimated realizable market value. In particular, although sales targets are set at our headquarters, we empower a senior management team in each city which performs regional management functions with the ability to adjust sales price for our projects based on changing market conditions due to their familiarity with the local property markets. For example, rather than becoming fixated on a pre-determined price levels, in times of market downturn and subject to approvals of our headquarters, such regional management teams can quickly adopt discounts and other incentive measures to promote our properties as to ensure a healthy cash flow while maintain revenue generating. On the other hand, in more robust markets, these regional management teams are able to quickly increase the sales price for our properties to keep abreast of the developing market situations. Such ability to adjust our inventory status, sales price and cash flow to proactively respond to trends in local property markets has enabled us to maintain profitability.

As part of our marketing efforts, we offered discounts to customers who pay the property price in full upon signing the formal sale and purchase agreement without mortgage, and customers who purchase more than one property or have multiple purchase records. We believe the above discounts were effective in attracting potential customers and improving our profitability in general and we consider that the discounts granted were in line with the then prevailing market practice.

Payment Arrangements

Our customers can make the payment in one lump sum by cash, or by installment payments with mortgage financing. We typically asked our customers to pay a non-refundable deposit before entering into the sales or pre-sale contract. The deposit will be forfeited if the customer decides not to sign the formal sales or pre-sale contract. The deposit will be deducted from the purchase price if the customer later opts to settle the payment in full. If a purchaser chooses to make a lump-sum payment, the balance of the purchase price is to be paid no later than the date specified in the sale and purchase agreement. We usually require customers to pay 30% of the total purchase price on the contract date and to settle the remaining 70% within one month after entering into the sales or pre-sale contracts.

Customers may also choose to fund their purchases using mortgage loans provided by commercial banks. In this case, they will be required to pay a non-refundable down payment of approximately 20% to 70% of the purchase price upon entering into the sales or pre-sale contracts in accordance with the terms stipulated in the contract, depending on whether it is their first mortgage for residential properties, and at least 50% of the purchase price for commercial properties. The mortgage bank will normally pay the remainder of the purchase price within one to three months, depending on the approval process of relevant mortgage banks. Under the relevant PRC laws and regulations, our customers may obtain mortgage loans with a repayment period of up to 30 years. If the remainder of the purchase price is not covered by the mortgage banks, these customers must pay to us the outstanding balance of the purchase price.

In line with market practice in the PRC, we have arrangements with various banks for the provision of mortgage financing and when required, provide our customers with guarantees as security for mortgage loans. The terms of such guarantees typically last until the transfer of the building ownership certificate to the purchaser and the certificate is registered in favor of the bank. As a guarantor, if the purchaser defaults in payment, we are obligated to repay all outstanding amounts owed by the purchaser to the mortgagee bank under the loan. We do not conduct credit checks on our customers but rely on the credit checks conducted by relevant banks.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, our outstanding guarantees over the mortgage loans of our customers amounted to RMB4,851.7 million, RMB11,775.8 million, RMB18,129.5 million and RMB21,486.4 million, respectively. In case our customers default under the formal sale and purchase agreement entered into at pre-sale for properties pre-sold which were financed by bank mortgages, we, as the guarantor for the purchasers' mortgaged loan, are required to repay all amounts due under the mortgages owed by the purchaser to the mortgage bank. Generally, upon the defaults of the purchaser, the mortgagee bank would initiate legal proceedings against the purchaser for the mortgage loan and apply the proceeds from sale of the mortgaged property by auction in the payment of amounts due under the mortgage. Accordingly, if the proceeds of the sale of the mortgaged property by auction are not enough to cover the amounts due under the mortgage, we, as the guarantor for the purchasers, would need to pay any short-fall to the mortgage bank.

In the case of a customer default, we are entitled to forfeit the deposits paid by the purchaser and foreclose on the relevant property. Moreover, if a customer defaults on payment of its mortgage, the mortgagee bank may deduct the payment due from the deposited sum and require us to repay the entire outstanding balance of the mortgage pursuant to the guarantee and we also have the right to terminate the sale and purchase agreement with the defaulting customer. Upon fulfillment of our obligations under the guarantee, the mortgagee bank would then assign its rights under the mortgage to us and we would then have full recourse to the property. We believe that our guarantees on the mortgage loans of our purchasers are over-secured as we believe the aggregate fair value of the underlying properties exceeds the aggregate amount of outstanding guarantees.

For the years ended December 31, 2014, 2015 and 2016 and six months ended June 30, 2017, we encountered 29 incidents of default by purchasers which resulted in our Group having to repay all outstanding amounts, in aggregate, of RMB9.1 million owed by the purchaser to the mortgagee banks under the loan. See "Risk Factors — Risks Relating to Our Business — We guarantee the mortgage loans of our customers and may be liable to the mortgagee banks if our customers default on their mortgage payments."

Project Delivery and After-Sales Services

Project Completion and Delivery

We strive to deliver completed properties to our customers within the time frame prescribed in the respective pre-sale or sale and purchase contracts. Before delivery of properties to our customers, we may obtain

the relevant completion certificate (房屋建築工程竣工驗收備案表) or other certificates as required under the respective sales contracts as well as the local laws and regulations. See “Regulation— Real Estate Transactions — Sale of Commodity Properties” for further details. It typically takes approximately one to two years from the commencement of pre-sale to the date of the completion certificate, depending on the scale of the properties.

To help ensure timely delivery of our properties, we closely monitor the progress of construction of our projects and conduct pre-delivery property inspections. Our construction management department and customer relationship department jointly inspect the properties prior to delivery to ensure that our quality standard has been met. Our staff will notify our customers in writing before the delivery date stipulated in the sale and purchase agreements to arrange the delivery procedures.

We will assist our customers in obtaining their individual property ownership certificates by providing all requisite information to the local authorities for registration. The local authorities will then grant an individual property ownership certificate or a real estate rights certificate for each property unit afterwards.

We do not conduct independent credit checks and due diligences as to our purchasers when providing guarantees but instead rely on the credit checks conducted by the mortgagee banks, and will typically require a higher initial payments to purchasers with less than ideal credit histories or purchasers whose mortgage is considered too high as compared to their income. In addition, for certain purchasers that have been delinquent in their other financing obligations, we may refuse to provide guarantees for their mortgage loans. In accordance with the sale and purchase agreements, we have taken measures including negotiation and litigation to recover damages due to the buyer’s breach of the formal sale and purchase agreements. Upon executing the formal sale and purchase agreements, customers are required to pay in full the total purchase price.

According to our accounting policies, our revenue is recognized when the properties are delivered to our customers. The recognition of our revenue from sale of properties is not subject to the grant of the property ownership certificates or real estate certificates to our customers.

Our customer relationship department and the property management company we engage are responsible for after-sales services. We aim to resolve our customers’ queries in relation to property construction in a timely manner.

Warranties

We provide our customers with a warranty for the quality of the structure of the building pursuant to the Measures on the Sales of Commodity Housing (商品房銷售管理辦法) and Regulations for the Operations of Urban Property Development (城市房地產開發經營管理條例). In addition, we also provide quality warranties for certain fittings and fixtures, if applicable, usually for a period of two years, according to the published national standards.

In particular, we provide the following warranties, amongst others, for our residential properties:

- warranty as to the foundation and main structure of the properties for the period designed for reasonable use of the relevant properties;
- five-year warranty for defects relating to the waterproofing of property surfaces;
- five-year warranty for defects relating to the waterproofing of bathrooms, rooms and walls;
- two-year warranty with respect to the heater and air conditioner systems;
- two-year warranty with respect to the electricity, sewage pipes and equipment installment; and
- two-year warranty with respect to the refined decoration work.

All warranty periods commence on the day of actual delivery of the relevant properties, or the day the properties are deemed as delivered in accordance with relevant contracts. We do not provide warranties with respect to defects that are caused by third parties or improper use and defects resulting from natural disasters. We usually provide quality warranties for periods no shorter than that for quality warranties we receive from our construction contractors under the relevant construction contracts. Our construction contractors are responsible for warranties in respect of the relevant quality standards and for the costs incurred for the relevant maintenance work. We do not maintain provisions with respect to warranties.

In general, we allow for returns of our properties in circumstances where there are material delays in the delivery of our properties which exceed the periods stipulated in the relevant sales and purchase agreements, material quality defects with respect to our properties, material changes made by us to the design of the properties which result in changes in areas such as property layout, spatial dimension and orientation, and material discrepancies in the GFA of our properties delivered as compared to the GFA stipulated in the sales and purchase agreements.

We may receive customer claims in relation to the quality of real properties that we developed from time to time. Generally, we coordinate with the relevant third-party contractors to respond to such customer claims. Relevant third-party contractors shall be responsible for the repair or maintenance at their own costs subject to the warranties provided in the agreements that they entered with us. In the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, we have not been involved in any material claims or received any material complaints with respect to the quality of our building structures or other fittings which cannot be rectified by the relevant contractors in accordance with their warranty provisions of the relevant contracts.

After-Sales Services

We rely on our customer relationship department and relevant property management companies we engage to provide after-sale services. Our customer service team is also responsible for collecting and analyzing customer data through customer satisfaction surveys in order to improve service quality, identify customer preferences and provide such feedback to the construction management team to improve our operation, including project design and marketing strategies.

We have also established a membership program “Zhenro Club (正榮會)” in certain of our properties in which purchasers of such property are automatically enrolled with. We believe the membership program enables us to establish better relationships with customers, build customer loyalty, foster brand awareness, better solicit timely customer feedbacks and also to better handle our ability to customer complaints.

For the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, we received nil, 19, 13 and eight customer complaints about the quality of our properties, primarily due to minor construction and installation defects, none of which involved compensation payments made by us to the customers.

In addition, we are also subject to customer complaints in relation to the delay in delivery of property title documents subject to the purchase agreements entered into with our customers and mortgage agreements entered into with our customers, the commercial banks and us, due to various reasons, including longer time required for completing the relevant procedures than expected or delay in commencing the relevant procedures, such as the examining procedure by the relevant land use right authorities and the registration, approval and certificate production procedures by the relevant property right authorities. We have increased our communication with the relevant government authorities to actively follow up on the status of certificate applications, aiming to speed up the registration and approval process. Except as otherwise disclosed in the prospectus, we believe that we are able to timely apply for and deliver the property title documents to our customers pursuant to relevant purchase agreements and mortgage agreements, which in turn efficiently reduces the number of customer complaints relating to the delay in delivery of property title documents.

MANAGEMENT OF COMMERCIAL PROPERTIES

Our Commercial Properties

We have developed and maintained commercial and mixed-use property portfolios of three product lines, as follows:

Product Line	Features
Fortune center series (財富中心系列)	<ul style="list-style-type: none"> <i>Positioning:</i> Urban shopping malls to provide a comprehensive shopping, dining, entertainment, leisure and other lifestyle solution to our customers of all ages whereby they can make a wide range of purchases and pursue a variety of activities in a modern, comfortable and relaxing environment.

Product Line	Features
Times Plaza series (時代廣場系列)	<ul style="list-style-type: none"> • <i>Floor area:</i> GFA ranging from 80,000 sq.m. to 100,000 sq.m. • <i>Examples:</i> Putian Zhenro Fortune Center and Fuzhou Zhenro Fortune Center. • <i>Positioning:</i> Community commercial facilities to improve life quality of people, which are typically adjacent to office complexes and other residential and commercial properties with differentiation. • <i>Floor area:</i> GFA ranging from 50,000 sq.m. to 80,000 sq.m. • <i>Examples:</i> Putian Zhenro Times Plaza.
Zhenro Street series (正榮街系列)	<ul style="list-style-type: none"> • <i>Positioning:</i> Commercial premises in the ground floor or commercial blocks in a community to provide a convenient shopping, dining and other lifestyle solution to family households in the adjacent residential properties. • <i>Floor area:</i> GFA ranging from 20,000 sq.m. to 50,000 sq.m. • <i>Examples:</i> Commercial facilities located in Nanchang Zhenro Mansion.

Our Investment Properties

We hold and operate a portion of our commercial properties for long-term investment purposes. We currently hold as investment properties the commercial spaces of our shopping malls at the commercial or mixed-use complexes we developed to diversify our investment portfolio and increase the value of the other properties for sale in these complexes. We determine whether our properties will be sold or retained for investment purposes in the early stages of development for each of our projects, by taking into consideration various factors such as location, land use plans, regional market conditions, supporting commercial facilities and our commercial interests. Although we currently focus on the development of residential properties for sale, we will in the future increase our investment property portfolio in response to changing market conditions and customer demand.

As of October 31, 2017, we had five completed investment properties, all of which are mixed-use complexes we developed and are in operation and open to the public. In addition, as of October 31, 2017, we had six investment properties under construction or held for future development, which are expected to be completed and commence operation in the next three years.

The following table set forth our investment properties under development or held for future development as of October 31, 2017.

City	Project Name	Estimated Construction Completion Date	Estimated Total GFA
Shanghai	Shanghai Hongqiao Fortune Center	2020	106,112
Shanghai	Shanghai Hongqiao Zhenro Center	2018	5,811
Nanjing	Nanjing Zhenro Riverside Mansion	2020	135,891
Xi'an	Xi'an Jingheng Rainbow Valley	2017	101,982
Tianjin	Tianjin No. Jinnanhonggua 2016-099	2020	20,000
Fuzhou	Fuzhou Mawei Zhenro Fortune Center	2019	16,823

Built-to-Suit Management Model and Pre-Leasing

We have developed an “built-to-suit” management model for our commercial or mixed-use properties. We begin to obtain pre-leasing commitments prior to the commencement of construction of a shopping mall.

This model enables our tenants to maximize their ability to customize their leased spaces during the construction of the development projects to best suit their needs. In order to satisfy the tenants' need for the relevant spaces, our product research and development department and commercial assets management department work together closely with tenants to ensure that the products we deliver are aligned with their requirements.

Under our built-to-suit management model, for a new project, we first produce a general distribution blueprint and construction plan at the initial planning and design stage. After the general layout is completed, we formulate and determine the strategic position of individual stores. We invite potential tenants to participate in our tender process and the winning bidders will pay deposits for them to become the "anchor tenants" or "sub-anchor tenants" of our development projects. These tenants are typically well-known brands or stores that take up an area of at least over 400 sq.m. in GFA, depending on the total floor area of each shopping mall. We then communicate with potential anchor or sub-anchor tenants to understand their specific requirements and needs. Based on communication with these potential tenants, we then tailor a more detailed blueprint layout as to tenant mix and store positioning. Shortly before the construction is completed, we will typically enter into formal leasing contracts with the winning bidders. Our built-to-suit management model has allowed us to effectively secure a significant portion of leasing commitments from anchor tenants and sub-anchor tenants before commencement of operation of our shopping malls. For example, as of December 31, 2016, we achieved an occupancy rate of over 90% upon commencement of operations of our shopping mall in Fuzhou Zhenro Fortune Center, which opened on December 16, 2016.

Lease Agreements

Our investment properties generally have lease-term range from three to five years. Some of our leases are at a fixed rate with also a performance premium component. Leases are generally calculated as the higher of (i) fixed rates during a pre-determined period that then escalates based on an agreed upon rate through the remainder of the lease term, generally through an annual percentage increase; or (ii) performance premiums calculated based on a pre-determined percentage of the retail gross revenue of the tenants.

To maintain the competitiveness and profitability of our investment properties, we closely monitor the operation and performance of individual stores to assess their appeal to customers and their ability to pay rents on time. Our system is able to connect to the point-of-sale systems of our tenants and monitor in real time the performances of each store. We also review the performance of our tenants on a monthly basis. We may propose lease adjustment during the negotiations for the renewal of lease contracts with our tenants based on our tenant's performances.

Selection, Merchandizing and Management of Tenants

To maintain a high-quality tenant base, we have established and maintained a database which consists of quality brands selected from marketing events and historical business relationships and which serves as the primary source for potential tenants. Our commercial assets management department and commercial property management companies are responsible for managing such database, including conducting the annual evaluation, grading, addition and removal of brands in the database. As of June 30, 2017, the database consisted of more than 2,000 brands, many of which are internationally and nationally well-known brands.

Marketing and Promotion

To maintain a high occupancy rate of our shopping malls opened and expected to open, we have formulated a set of marketing strategies and developed activities using internal sources and external sources to promote our commercial and mixed-use properties and attract visitors, including:

- advertising through a variety of media, including television, newspapers and magazines, point-of-sale materials, the Internet, mobile media, outdoor billboards and new media;
- host grand opening ceremony, car exhibitions, magic shows and other major events, shows and performances at our investment properties; and
- establish various experience stores or spaces including children's parks, aquarium, and bird's forests which aim to offer unique immersion experience for visitors.

Property Management of Our Commercial Properties

In addition to the lease of our investment properties, our commercial property management subsidiaries provide property management services to commercial properties we developed. We collect a management fee based on their relative location, usage and usable GFA. As of October 31, 2017, our commercial property management subsidiaries provided service to shopping malls, retail space on our pedestrian streets, restaurants, SOHO and offices spaces with a total GFA of 0.3 million sq.m.

SUPPLIERS AND CUSTOMERS

Our major suppliers are construction material suppliers and construction contractors. We depended on a limited number of major suppliers to operate our businesses. Some of our general contractors and sub-contractors are local level operating entities owned or controlled by group companies in China. Although we transacted with such local level operating entities on an individual basis, we aggregated the purchases from such entities and counted the relevant group companies as our major suppliers. Our five largest customers are individual and corporate purchasers of our residential or commercial properties and accounted for approximately 0.9%, 1.4%, 5.2% and 6.7% of our total revenue for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, respectively. Our single largest customer for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 accounted for approximately 0.3%, 0.6%, 2.9% and 1.9% of our revenue, respectively.

COMPETITION

The property market in China is highly fragmented and competitive. Our existing and potential competitors include major domestic developers and, to a lesser extent, foreign developers primarily from Asia, including leading developers from Hong Kong, who have business operations in cities where we operate or intend to operate. We compete with them in relation to a number of factors, including land acquisition, brand recognition, financial resources, prices, product quality, service quality and other factors. Some of these competitors may have better track records, greater financial, human and other resources, larger sales networks and stronger brand recognition.

In particular, the residential property market in the regions in which we focus, namely the Yangtze River Delta Economic Region, the Midwest China Economic Region, the Bohai Economic Rim, and the Western Taiwan Straits Economic Zone have been highly competitive in recent years. Property developers from the PRC and overseas have entered the property development markets in first- and second-tier cities in these regions. The rapid development of these major cities in recent years has led to a diminishing supply of undeveloped land in desirable locations in the first- and second-tier cities in these regions. Moreover, the PRC government has implemented policies to tightly control the amount of new land available for development. These factors have increased competition and land grant premiums in relation to land made available for development.

We believe that the major competitive factors in the residential property development industry include the geographic location, management expertise, financing, access to transportation infrastructure, size of land reserves and land bank, product quality, brand recognition by customers, customer services and support, pricing and design quality.

We believe that, with our proven property development capabilities, balanced investment portfolio and customer-oriented product offerings, we have demonstrated resiliency to market changes and competition. Further, given our premium brand and strong execution capabilities, we believe we can react promptly to the challenges in the PRC real estate market.

INTELLECTUAL PROPERTY

We place emphasis on developing our brand and have extensive trademark registrations to protect all respects of our brand. We conduct our business in the PRC under three trademarks transferred from Zhenro Group Company as part of the Corporate Restructuring. We also have three trademarks registered in Hong Kong. In addition, we have registered the domain name of zhenrodc.com for the website of our Group on the Internet.

INSURANCE

There are no national mandatory provisions under the relevant PRC laws and regulations requiring property developers to maintain insurance coverage with respect to their property development operations. We do not maintain any insurance policies for our residential property development projects. We generally maintain property insurance for our commercial property projects held for investment. In addition, we require the general contractors of our development projects to maintain insurance policy in accordance with the contracting agreements.

We believe our practice is with industry norms. However, there are certain risks for which we are not insured, and we may not have sufficient insurance coverage for damages and liabilities that may arise in the course of our business operations. See “Risk Factors — Risks Relating to Our Business — Current insurance coverage may not be adequate to cover all risks related to our operations” for further details.

LEASED PROPERTIES

As of October 31, 2017, we leased 48 properties in 20 cities with a total GFA of approximately 33,979 sq.m. mainly for our office premises. Our leases generally have a term ranging from three months to five years, and we expect to renew the leases upon their expiry.

INFORMATION TECHNOLOGY

We rely on the effective operation of our IT systems for our business operations. Our IT team under the general management department is responsible for developing and maintaining an IT system that keeps pace with the expansion of our business and is customized to meet our business needs. The centralized IT system is controlled and operated from our headquarters.

We face increasing security risks and threats from cyber-attacks with respect to our IT systems. We require our staff to follow our management guidelines on our IT system and safeguard information in the system. To help combat such attacks, we have also established emergency recovery systems, keep regular backups of all the data in the system and are equipped with efficient anti-virus software. In addition, we conduct regular reviews of our IT system and perform the necessary upgrades to prevent and address potential attacks. For example, our information security team schedules practice drills to ensure the continuous smooth operation of our IT system in the long term.

EMPLOYEES

As of June 30, 2017, we had 1,490 full-time employees, all of whom were based in China. The following table sets forth a breakdown of our full-time employees by function as of June 30, 2017:

Function	Number of Employees	% of All Employees
Management	68	4.6
Construction Management/Quality Control	329	22.1
Finance	165	11.1
Product Design	137	9.2
Sales and Marketing and Customer Service	201	13.5
Procurement and Cost Control	129	8.6
General Administrative and Human Resources	137	9.2
Commercial Properties and Property Management	120	8.0
Operational Management	66	4.4
Investment	37	2.5
Merchandising	52	3.5
Others	49	3.3
Total	1,490	100.0

We actively recruit skilled and qualified personnel in local markets through various channels, such as on-campus recruitment programs, recruiting firms, internal referrals and advertisement on the Internet. We particularly value employees who demonstrate loyalty to their work and who values our corporate culture, as well as those with relevant working experience. We have also established systematic training programs for our employees, such as management as well as marketing and sales personnel, based on their positions and expertise.

We offer our employees competitive remuneration packages that include basic salaries, discretionary bonuses, performance-based payments and year-end bonuses. We also contribute to social insurance for our employees, including medical insurance, work-related injury insurance, retirement insurance, maternity insurance, unemployment insurance and housing funds. Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements.

As of the date of this information memorandum, we do not encounter any incident or complaint which had a material adverse effect on our operations.

ENVIRONMENTAL MATTERS

We are subject to certain environmental protection laws and regulations, including those relating to air pollution, noise emissions and water and waste discharge. Each of our property development projects is required under PRC law to undergo environmental impact assessments. We must submit the relevant environmental impact study or report to the environmental authorities, along with other required documents, for evaluation and approval by the authorized environmental protection administrations. The approval from the relevant government authorities will specify the standards applicable to the implementation of the construction project with respect to areas such as air pollution, noise emissions and water and waste discharge. Such measures are required to be incorporated into the design, construction and operation of the particular project. Upon the completion of each project, the relevant government authorities will also inspect the site to ensure that all applicable environmental standards have been complied with before the property can be delivered to the purchaser.

We take specific measures to ensure our compliance with the applicable environmental laws and regulations, including: (i) strictly selecting construction contractors and supervising the process of construction; (ii) applying for review by the relevant government authorities in a timely manner after the project is completed; and (iii) actively adopting environmentally friendly equipment and designs. We also take voluntary actions with respect to environmental protection and make energy conservation and emission reduction top considerations when designing our property projects.

As of the date of this information memorandum, none of our properties had received any material fines or penalties associated with the breach of any environmental laws or regulations since the commencement of their operations.

LEGAL PROCEEDINGS AND MATERIAL CLAIMS

We have been involved in legal proceedings or disputes in the ordinary course of business, including claims primarily relating to disputes arising from agreements with third party contractors and suppliers, property purchase agreements with our customers and our guarantee of mortgage agreements entered into between our customers and mortgage banks.

In October 2017, our subsidiary, Shanghai Yupin, received a subpoena from the local people's court for an alleged breach of contract. The plaintiff in the lawsuit (i) alleged that Shanghai Yupin breached an agreement that Shanghai Yupin entered into with it on October 13, 2016 (the "Agreement"), claiming that Shanghai Yupin failed to execute an commodity property pre-sale contract with it pursuant to the Agreement, since Shanghai Yupin did not obtain the commodity property pre-sale permit (商品房預售許可證) for a project then under development before December 30, 2016, and (ii) demanded that Shanghai Yupin, among others, shall return its security deposit of RMB10.0 million, together with interest thereon and other compensations and damages in an aggregate amount of approximately RMB48.1 million, which was further adjusted to approximately RMB49.7 million by supplemental explanations to the complaint.

However, we cannot assure you that material legal proceedings, claims or disputes will not arise in the future. See "Risk Factors — Risks Relating to Our Business — We may be involved in legal and other disputes from time to time arising out of our operations, including any disputes with our contractors, suppliers, employees, tenants or other third parties, and may face significant liabilities as a result."

MANAGEMENT

Our board is responsible and has general powers for the management and conduct of our business. The table below shows certain information in respect of the members of our board:

Name	Age	Position
Mr. HUANG Xianzhi	49	Chairman of the Board and Executive Director
Mr. LIN Zhaoyang	47	Joint Chief Executive Officer and Executive Director
Mr. WANG Benlong	42	Joint Chief Executive Officer and Executive Director
Mr. OU Guoqiang	33	Non-executive Director
Mr. OU Guowei	29	Non-executive Director
Dr. LOKE Yu alias LOKE Hoi Lam	68	Independent Non-executive Director
Mr. SHEN Guoquan	53	Independent Non-executive Director
Mr. WANG Chuanxu	47	Independent Non-executive Director
Mr. XIAO Chunhe	42	Vice President
Mr. TAN Mingheng	43	Chief Financial Officer and Joint Company Secretary

Executive Directors

Mr. HUANG Xianzhi (黃仙枝), aged 49, was appointed as our executive Director and the chairman of our Board on September 20, 2017. Mr. Huang is primarily responsible for the overall management of the investment strategies and business development of our Group. He has over 18 years of experience in the PRC real estate industry. Mr. Huang graduated from Jimei Advanced Specialized Institute of Finance and Economics (集美財經高等專科學校) in Fujian Province, the PRC in July 1989, where he majored in Investment Economics. He also obtained a master's degree in business administration from The Open University of Hong Kong in Hong Kong in November 2012. Mr. Huang obtained the qualification as an accountant in December 1997 as certified by the Ministry of Personnel of the PRC (中華人民共和國人事部).

From October 1998 to October 2014, Mr. Huang served various positions in Zhenro Group Company, including the chief financial officer, the assistant to the chief executive director, the vice president primarily responsible for financial affairs and the executive vice president where he was responsible for overall management, consecutively. He has been a director and president of Zhenro Group Company since November 2014. Mr. Huang has served as an executive director and chairman of the board of Zhenro Properties Holdings since December 2015.

Mr. Huang was awarded “Outstanding Professional Manager in China for the Year of 2008” (2008年度中國杰出職業經理人) by China Human Resources Management Annual Selection Committee (中國人力資源管理年度評選組委會) in October 2008, and “Chief Accountant in China for the Year of 2011” (2011中國總會計師年度人物) by China Institute of Certified Public Accountants (中國總會計師協會) in December 2011. He was awarded “Figure with Contributions to China Real Estate Brands in 2015” (2015中國房地產品牌貢獻人物) jointly by the Enterprise Research Institute of the Development Research Center of the State Council (國務院發展研究中心企業研究所), Property Research Institute of Tsinghua University (清華大學房地產研究所) and China Index Academy (中國指數研究院) in September 2015. He also received “Top 100 Figures with Contributions to China Real Estate Industry in 2016” (2016中國房地產百強貢獻人物) award from China Real Estate TOP10 Research Group (中國房地產TOP10研究組) in March 2016.

Mr. LIN Zhaoyang (林朝陽), aged 47, was appointed as our executive Director on June 27, 2017 and the chief executive officer of our Company on September 20, 2017. Mr. Lin was re-designated as joint Chief Executive Officer on February 28, 2018. Mr. Lin is primarily responsible for the overall business direction and day-to-day business and management of our Group. He has over 18 years of experience in the PRC real estate industry. Mr. Lin graduated from Putian Advanced Professional College (莆田高等專科學校) in Fujian Province, the PRC in July 1995, where he majored in financial accounting. He completed the advanced courses for chief executive officers in real estate in Shanghai Jiao Tong University in the PRC in May 2012. He obtained the qualifications as senior economist in August 2007 as credentialed by the Department of Personnel of Fujian Province of the PRC (中國福建省人事廳).

From October 1998 to April 2005, Mr. Lin served as the vice general manager of Zhenro Group Company. He then served as the general manager and the chairman of the board of directors of Putian Real

Estate, consecutively, from April 2005 to March 2013. He served as the vice president primarily responsible for investment affairs of Zhenro Group Company from April 2013 to March 2016 and the director of the same company from July 2013 to March 2016. Mr. Lin has been an executive director and the chief executive officer of Zhenro Properties Holdings since December 2015.

Mr. Lin is a member of the Sixth People's Congress of Putian City (莆田市第六屆人大代表), the vice president of Real Estate Association of Fujian Province (福建省房地產協會), the vice president of the Federation of Industry and Commerce of Minhang District of Shanghai (上海市閔行區工商業聯合會) as well as vice president of the Federation of Industry and Commerce of Putian City (莆田市工商業聯合會). Mr. Lin is a councilor of China Real Estate Association (中國房地產業協會). In October 2011, Mr. Lin was awarded "Outstanding Professional Manager in China for the Year of 2011" (2011年度中國杰出經理人). In March 2017, Mr. Lin was awarded "2017 China Top 100 Real Estate Entrepreneurs" (2017中國房地產百強企業貢獻人物).

Mr. WANG Benlong (王本龍), aged 42, was appointed as our Executive Director on March 28, 2018 and the joint Chief Executive Officer on February 28, 2018. Mr. Wang is primarily responsible for the day-to-day business operations, customer relationship matters and overall administrative matters of our Group. Mr. Wang has been serving as the vice president of Zhenro Properties Holdings since January 2017, primarily responsible for the operation management department, customer relationship department and comprehensive management department. Mr. Wang has also been assisting the president of Zhenro Properties Holdings since July 2017 with respect to affairs of the human resources department and has been a director of Zhenro Properties Holdings since September 2017. Mr. Wang obtained his bachelor's degree in engineering majoring in management engineering from Tianjin University (天津大學) in Tianjin, the PRC in July 1999.

Non-executive Directors

Mr. OU Guoqiang (歐國強), aged 33, was appointed as our non-executive Director on September 20, 2017. He is the brother of Ou Guowei, who is also our non-executive Director, and the son of Ou Zongrong, one of our Controlling Shareholders. Ou Guoqiang is primarily responsible for providing strategic advice and recommendations on the operations and management of our Group. He has over 8 years of experience in the PRC real estate industry. Ou Guoqiang graduated from Peking University in Beijing, the PRC in July 2005, with a bachelor's degree in economics majoring in finance.

Ou Guoqiang has been serving as an non-executive director of Zhenro Properties Holdings since December 2015 and a director of Zhenro Group Company since February 2012. He served as an executive director from November 2008 to February 2010 and the chairman of the board of directors from March 2010 to February 2012, in Fuzhou Shiou Properties Development Co., Ltd. (福州世歐房地產開發有限公司), a real estate development company.

Ou Guoqiang is a member of the Fourteenth People's Congress of Fuzhou City (福州市第十四屆人大代表). He is also a councilor of Fujian Zhenro Public Welfare Foundation (福建省正榮公益基金會). Mr. Ou received the "Fuzhou May 4th Youth Medal" (福州青年五四獎章) from the Communist Youth League of Fuzhou Municipal Committee (共青團福州市委) and Fuzhou Youth Federation (福州市青年聯合會) in May 2013.

Mr. OU Guowei (歐國偉), aged 29, was appointed as our non-executive Director on September 20, 2017. He is the brother of Ou Guoqiang, who is also our non-executive Director, and the son of Ou Zongrong, one of our Controlling Shareholders. Ou Guowei is primarily responsible for providing strategic advice and recommendations on the operations and management of our Group. He has over 8 years of experience in the PRC real estate industry. Ou Guowei graduated from Shanghai Jiao Tong University (上海交通大學) in Shanghai, the PRC in February 2010, with a bachelor's degree in economics majoring in international economics and trade.

Before joining our Company, Ou Guowei served various positions in Nanchang Real Estate, including the chief officer of human resources from October 2009 till November 2011, the general manager from December 2011 till February 2013 and the chairman of the board of directors from March 2013 till February 2014. He also served as the assistant to the chief executive officer of Zhenro Group Company from March 2013 to March 2016 and has been a non-executive director of Zhenro Properties Holdings since December 2015.

Ou Guowei is the executive director of Shanghai Ronggu Venture Capital Co., Ltd. (上海榮顧創業投資有限公司), a subsidiary of Zhenro Group Company. He is also the executive vice president of Fujian General Association of Commerce in Jiangxi Province (江西福建總商會), the executive vice president of Nanchang Putian Association of Commerce (南昌莆田商會), a committee member of Nanchang Youth Confederation (南昌市青年聯合會), and the vice president of Fujian Association of Commerce in Shanghai (上海市福建商會).

Independent Non-executive Directors

Dr. LOKE Yu alias LOKE Hoi Lam (陸海林), aged 68, was appointed as our independent non-executive Director on December 15, 2017. He is primarily responsible for providing independent advice on the operations and management of our Group. Dr. Loke has over 40 years of experience in accounting, auditing and corporate governance. Dr. Loke obtained a master's degree in business administration from the Universiti Teknologi Malaysia in Malaysia in April 2001 and a doctor's degree in business administration from the University of South Australia in Australia in March 2006.

Mr. SHEN Guoquan (沈國權), aged 53, was appointed as our independent non-executive Director on December 15, 2017. He is primarily responsible for providing independent advice on the operations and management of our Group. Mr. Shen has over 18 years of experience in the legal and financial regulatory area in the PRC. He obtained both his bachelor's degree and master's degree in economic law from East China College of Political Science and Law (華東政法學院), now known as East China University of Political Science and Law (華東政法大學), in the PRC in July 1986 and June 1993, respectively. Mr. Shen received his PRC Lawyer's Qualification Certificate in 1993, issued by the Ministry of Justice of the PRC.

Mr. WANG Chuanxu (王傳序), aged 47, was appointed as our independent non-executive Director on December 15, 2017. He is primarily responsible for providing independent advice on the operations and management of our Group. Mr. Wang has over 16 years of experience in the finance industry and providing secretarial and corporate service to listed companies in the PRC. He obtained his bachelor's degree in engineering majoring in industrial molding design from East China University of Science and Technology (華東理工大學) in the PRC in July 1994 and his master's degree in economics majoring in political economics from East China Normal University (華東師範大學) in the PRC in July 1998. Mr. Wang was granted the qualification of securities investment consulting by China Securities Regulatory Commission in December 1999. He also obtained the certificate of secretary to the board of directors of listed companies issued by Shenzhen Stock Exchange in November 2008.

Senior Management

The senior management of our Group include the four Executive Directors as disclosed above and the following persons:

Mr. XIAO Chunhe (肖春和), aged 42, was appointed as our vice president on September 20, 2017. Mr. Xiao is primarily responsible for the investment and development matters, sales and marketing management and business asset management of our Group. Mr. Xiao has been the vice president of Zhenro Properties Holdings since January 2017. Since July 2017, he has also been assisting the president with the investment expansion and teambuilding work for members of our Group in Shanghai, Tianjin and Jinan. Mr. Xiao obtained his bachelor's degree in engineering majoring in earth resources management from Fuzhou University (福州大學) in Fujian Province, the PRC in July 1999.

Mr. TAN Mingheng (談銘恒), aged 43, was appointed as our chief financial officer on September 20, 2017. He is responsible for the overall financial and capital operation of our Group. He has over 18 years of finance experience. Mr. Tan has been serving as the chief financial officer and the secretary to the board of directors of Zhenro Properties Holdings from December 2015 and is primarily responsible for the finance management center and legal department. Mr. Tan graduated from Shanghai University (上海大學) in July 1998 with a bachelor's degree in economics majoring in international finance. He also obtained an executive master of business administration degree from Fudan University (復旦大學) in Shanghai, the PRC in June 2013. He has been a certified public accountant as credentialed by Shanghai Institute of Certified Public Accountant since 1999. In November 2002, Mr. Tan was recognized as a certified internal auditor by China Institute of Internal Auditors with the authorization from the Institute of Internal Auditors.

Joint Company Secretaries

Mr. TAN Mingheng (談銘恒), is one of the joint company secretaries of our Company and has been appointed with effect from Listing. Please refer to his biography under the paragraph headed "—Senior Management" above.

Ms. KWONG Yin Ping Yvonne (鄺燕萍), is one of the joint company secretaries of our Company and has been appointed with effect from Listing. Ms. Kwong has extensive experience in providing company

secretarial and compliance services to numerous private and listed companies. She is a vice president of SW Corporate Services Group Limited, a company focusing on the provision of listing company secretarial and compliance services. She currently serves as the company secretary or joint company secretary of several companies listed on the Stock Exchange.

Ms. Kwong received a higher diploma in company secretaryship and administration from Hong Kong Polytechnic University in November 1979 and a bachelor's degree in accounting from Hong Kong Polytechnic University in November 1997. She has been a fellow of The Hong Kong Institute of Chartered Secretaries and a fellow of The Institute of Chartered Secretaries and Administrators of the United Kingdom since December 2012.

Board Committees

We have established the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of the Board Committees has specific written terms of reference which deal clearly with their authority and duties. The chairmen of the Board Committees will report their findings and recommendations to the Board after each meeting.

Audit Committee

Our Company established an Audit Committee with written terms of reference in compliance with the Corporate Governance Code. The Audit Committee consists of three members, namely LOKE Yu (alias LOKE Hoi Lam) and WANG Chuanxu, our independent non-executive Directors, and OU Guowei, non-executive Director. LOKE Yu (alias LOKE Hoi Lam) has been appointed as the chairman of the Audit Committee, and is our independent non-executive Director possessing the appropriate professional qualifications. The primary duties of the Audit Committee include: (i) making recommendations regarding the appointment and removal of external auditors of our Company; (ii) reviewing the accounting policies and financial positions of our Company; (iii) reviewing and supervising the internal audit functions and internal control structure of our Company; and (iv) reviewing and overseeing the risk management of our Company.

Remuneration Committee

Our Company established a Remuneration Committee with written terms of reference in compliance with the Corporate Governance Code. The Remuneration Committee has three members, namely WANG Chuanxu, HUANG Xianzhi and SHEN Guoquan. WANG Chuanxu, our independent non-executive Director, has been appointed as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include: (i) reviewing and making recommendations to the Board regarding remuneration policies for Directors and senior management; and (ii) supervising the implementation of remuneration policies.

Nomination Committee

Our Company established a Nomination Committee with written terms of reference in compliance with the Corporate Governance Code. The Nomination Committee consists of two independent non-executive Directors, being WANG Chuanxu and SHEN Guoquan and one executive Director, being HUANG Xianzhi, who is the chairman of our Board and also acts as the chairman of the Nomination Committee. The primary duties of the nomination committee include: (i) reviewing the composition of the Board of Directors and assess the ability and experience of Directors; (ii) making recommendations to our Board on the appointment and removal of Directors; and (iii) assessing the independence of the independent non-executive Directors.

Compensation of Directors and Senior Management

The Group's remuneration policies are formulated based on qualifications, years of experiences and the performance of individual employees and are reviewed regularly.

Share Option Scheme

We adopted our share option scheme (the “**Share Option Scheme**”) on December 15, 2017. Set forth below are the details of the Share Option Scheme:

The purpose of the Share Option Scheme is to provide us with a means of incentivising the Participants (as defined below) and retaining employees of the Group, and to encourage employees to work towards enhancing the value of the Company and promote the long-term growth of the Company.

Subject to the terms of the Share Option Scheme, the board shall be entitled at any time within the period of 10 years after the adoption date, being December 15, 2017 to December 14, 2027, to grant options to any director or employee of the Group who in the sole discretion of the board has contributed or will contribute to the Group (the “Participant”). As of December 31, 2017, the remaining life of the Share Option Scheme is approximately nine years and 11 months.

No offer shall be made and no option shall be granted to any Participant in circumstances prohibited by the Listing Rules of the Hong Kong Stock Exchange (the “Listing Rules”) at a time when the Participant would or might be prohibited from dealing in the shares by the Listing Rules or by any applicable rules, regulations or law. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of (i) the date of the board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of the Company’s results for any year, half-year, quarterly or other interim period; and (ii) the deadline for the Company to publish its interim or annual results announcement under the Listing Rules; and ending on the date of actual publication of such results announcement.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and all other share option schemes existing at such time of the Company shall not in aggregate exceed 400,000,000 shares (representing 10% of the total number of shares in issue as of the date of listing of our shares on the Hong Kong Stock Exchange, the “**Scheme Mandate Limit**”), which represents 9.7% of the total number of shares in issue as of April 14, 2018. The Company may renew the Scheme Mandate Limit at any time subject to prior shareholders’ approval but in any event, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as refreshed must not exceed 10% of the shares in issue as at the date of approval of the renewal of the Scheme Mandate Limit.

The maximum number of shares issued and to be issued upon exercise of the options granted and to be granted to any Participant under the Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in any 12 month period shall not at the time of grant exceed 1% of the shares in issue, unless otherwise separately approved by shareholders in general meeting with such Participant and his associates abstaining from voting.

Subject to the terms of grant of any option, an option may be exercised by the grantee at any time during the option period and in accordance with the vesting schedule and other terms specified in the offer. No option may be vested more than 10 years after the date of grant. Subject to earlier terminations by the Company in general meetings or by the board, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date.

Subject to such terms and conditions as the board may determine, there is no minimum period for which an option must be held before it can be exercised and no performance target needs to be achieved by the grantee before the options can be exercised.

The exercise price shall be a price determined by the board and notified to a Participant but in any event shall be at least the higher of:

- the closing price of the shares as stated in the Hong Kong Stock Exchange’s daily quotation sheets on the date of grant of the option, which must be a business day;
- the average of the closing price of the shares as stated in the Hong Kong Stock Exchange’s daily quotation sheets for the five business days immediately preceding the offer date; and
- the nominal value of a share on the date of grant, Participants are required to pay HK\$1.00 as consideration for the acceptance of an option granted to them.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding ownership of our outstanding shares as of the date of this information memorandum by those persons who beneficially own more than 5% of our outstanding shares, as recorded in the register maintained by us pursuant to Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong (the “SFO”)):

Name of Shareholders	Nature of Interest/Capacity	Number of Shares or underlying Shares ⁽¹⁾	Approximate percentage of shareholding
RoSheng Limited	Beneficial owner	217,800,000 (L)	5.45%
Warm Shine Limited	Beneficial owner	217,140,000 (L)	5.43%
Guotai Junan International Holdings Limited	Interest in a controlled corporation	228,000,000 (L)	5.70%
	Interest in a controlled corporation	78,000,000 (S)	1.95%
Guotai Junan Securities Co., Ltd	Interest in a controlled corporation	228,000,000 (L)	5.70%
	Interest in a controlled corporation	78,000,000 (S)	1.95%
Mr. OU Zongrong ⁽²⁾	Interest in a controlled corporation	2,415,060,000 (L)	60.37%
Ms. LIN Shuying ⁽³⁾	Interest of spouse	2,415,060,000 (L)	60.37%
RoYue Limited	Beneficial owner	2,272,560,000 (L)	56.81%
RoJing Limited	Beneficial owner	142,500,000 (L)	3.56%

Notes:

- (1) The letter “L” denotes the person’s long position in such Shares. The letter “S” denotes the person’s short position in such Shares.
- (2) These 2,415,060,000 Shares represent 2,272,560,000 Shares held by RoYue Limited and 142,500,000 Shares held by RoJing Limited. Mr. Ou Zongrong is the sole legal and beneficial owner of RoYue Limited and RoJing Limited, therefore Mr. Ou Zongrong is deemed to be interested in 2,272,560,000 Shares and 142,500,000 Shares held by RoYue Limited and RoJing Limited, respectively.
- (3) Lin Shuying is the spouse of Mr. Ou Zongrong. Under Part XV of the SFO, Lin Shuying is deemed to be interested in the same number of Shares in which Mr. Ou Zongrong is interested.
- (4) Guotai Junan Securities Co., Ltd indirectly holds 58.4% interests in Guotai Junan International Holdings Limited. Therefore, Guotai Junan Securities Co., Ltd is deemed to have same interest in the shares in the Company as Guotai Junan International Holdings Limited.

Save as disclosed above, as of December 31, 2017, our Company had not been notified of any persons (other than a Director or chief executive of our Company) who had an interest or short position in the Shares or underlying Shares that were recorded in the register required to be kept under section 336 of the SFO.

DESCRIPTION OF THE NOTES

For purposes of this “Description of the Notes,” the term “Company” refers only to Zhenro Properties Group Limited (正榮地產集團有限公司), a company incorporated in the Cayman Islands with limited liability, and any successor obligor on the Notes, and not to any of its Subsidiaries. Each Subsidiary of the Company which Guarantees the Notes (other than a JV Subsidiary Guarantor) is referred to as a “Subsidiary Guarantor,” and each such Guarantee is referred to as a “Subsidiary Guarantee.” Each Subsidiary of the Company that in the future provides a JV Subsidiary Guarantee (as defined below) is referred to as a “JV Subsidiary Guarantor.”

The Notes are to be issued under an indenture (the “Indenture”), to be dated as of May 11, 2018, among the Company, the Subsidiary Guarantors and Citicorp International Limited, as trustee (the “Trustee”).

The following is a summary of certain material provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. This summary does not purport to be complete and is qualified in its entirety by reference to, all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available on or after the Original Issue Date at the corporate trust office of the Trustee at 39/F, Champion Tower, 3 Garden Road, Central, Hong Kong.

Brief Description of the Notes

The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any, on a senior basis, subject to the limitations described below under the caption “— The Subsidiary Guarantees and the JV Subsidiary Guarantees” and in “Risk Factors — Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees” of this offering memorandum;
- effectively subordinated to the secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

The Notes will mature on May 10, 2019, unless earlier redeemed pursuant to the terms thereof and the Indenture.

The Notes will bear interest at 8.50% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semiannually in arrears on November 11 and May 8 of each year (each an “Interest Payment Date”), commencing November 11, 2018. Interest on the Notes will be paid to the Holders of record at the close of business on October 27 or April 25 immediately preceding an Interest Payment Date (each, a “Record Date”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months. So long as the Notes are held in global form, each payment in respect of the Global Note will be made to the person shown as the holder of the Notes in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where “Clearing System Business Day” means a weekday (Monday to Friday, inclusive) except December 25 and January 1.

Except as described under “— Optional Redemption” and “— Redemption for Taxation Reasons” below and otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity (unless they have been repurchased by the Company).

In any case in which the date of the payment of principal of, premium on or interest on the Notes is not a Business Day in the relevant place of payment or in the place of business of the Paying Agent, then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due and no interest on the Notes shall accrue for the period after such date.

The Indenture allows additional Notes to be issued from time to time (the “Additional Notes”), subject to certain limitations described under “— Further Issues.” Unless the context requires otherwise, references to the “Notes” for all purposes of the Indenture and this “Description of the Notes” include any Additional Notes that are actually issued.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of the Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be the specified office of the Paying Agent currently located at Citibank, N.A., London Branch, c/o Citibank, N.A., Dublin Branch, One North Wall Quay, Dublin 1, Ireland), and the Notes may be presented for registration of transfer or exchange at such office; *provided* that, if the Notes are in certificated form and the Company acts as its own paying agent, at the option of the Company, payment of interest may be made by check mailed to the address of the Holders as such address appears in the Note register maintained by the Note Registrar or by wire transfer. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

The Subsidiary Guarantees and the JV Subsidiary Guarantees

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of all of the Company’s Restricted Subsidiaries other than (i) those Restricted Subsidiaries organized under the laws of the PRC (the “PRC Non-Guarantor Subsidiaries”) and (ii) True Dragon (Singapore) Pte. Ltd. (the “Initial Other Non-Guarantor Subsidiary”).

The initial Subsidiary Guarantors are holding companies that do not have significant operations. None of the existing or future Restricted Subsidiaries organized under the laws of the PRC or any Exempted Subsidiary will provide a Subsidiary Guarantee or JV Subsidiary Guarantee on the Original Issue Date or at any time in the future.

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

- as of the date of execution of the JV Subsidiary Guarantee (as defined below), no document exists that is binding on the Company or the relevant Restricted Subsidiary that would have the effect of (a) prohibiting the Company or such Restricted Subsidiary from causing such JV Subsidiary Guarantee to be provided or (b) requiring the Company or such Restricted Subsidiary to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;

- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is made from, an Independent Third Party at a consideration that is not less than (in the case of a sale or issuance) or no more than (in the case of a purchase) the Fair Market Value of such Capital Stock;
- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
 - (i) (A) a duly executed Guarantee of such JV Subsidiary Guarantor (the “JV Subsidiary Guarantee”) and each Restricted Subsidiary (if any) of such JV Subsidiary Guarantor that is not a Non-Guarantor Subsidiary, and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
 - (ii) an Officers’ Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
 - (iii) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantees are valid, binding and enforceable against the JV Subsidiary Guarantors providing such JV Subsidiary Guarantees (subject to customary qualifications and assumptions).

The Subsidiary Guarantee of each Subsidiary Guarantor:

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

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such JV Subsidiary Guarantor;
- will be enforceable only up to the JV Entitlement Amount;
- will be effectively subordinated to the secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- will be limited to the JV Entitlement Amount, and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee;
- will be limited to the JV Entitlement Amount, and will rank at least *pari passu* with all other unsecured and unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law); and

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

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, Exempted Subsidiaries or Listed Subsidiaries), as soon as practicable (and in any event within 30 days) after such Person becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will Guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary organized outside the PRC (that is not an Exempted Subsidiary or a Listed Subsidiary) not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee (such Restricted Subsidiaries that do not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee in accordance with the Indenture, the “New Non-Guarantor Subsidiaries,” and together with the Initial Other Non-Guarantor Subsidiaries, the “Other Non-Guarantor Subsidiaries”) at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary; *provided* that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 15.0% of Total Assets.

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than a JV Subsidiary Guarantor is referred to as a “Future Subsidiary Guarantor” and upon execution of the applicable supplemental indenture to the Indenture will be a “Subsidiary Guarantor.” The Other Non-Guarantor Subsidiaries, together with the PRC Non-Guarantor Subsidiaries, Exempted Subsidiaries and Listed Subsidiaries, are referred to herein as the “Non-Guarantor Subsidiaries.”

Although the Indenture contains limitations on the amount of additional Indebtedness that Non-Guarantor Subsidiaries (including Restricted Subsidiaries organized under the laws of the PRC) may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

As of December 31, 2017, the Company and its consolidated subsidiaries had total debt of approximately RMB42,063.5 million (US\$6,465.0 million), of which approximately RMB36,304.5 million (US\$5,579.9 million) was secured debt of the Company or a Subsidiary.

As of December 31, 2017, the Non-Guarantor Subsidiaries had total debt of approximately RMB42,063.5 million (US\$6,465.0 million) and the Non-Guarantor Subsidiaries had capital commitments of approximately RMB9,168.6 million (US\$1,409.2 million) and contingent liabilities of approximately RMB21,961.4 million (US\$3,375.4 million).

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) will jointly and severally Guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes; *provided* that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and the JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be repaid or restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be Guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and

- each JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be Guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

If a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such Indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors — Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees — The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees" of this offering memorandum.

Release of the Subsidiary Guarantees or JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under "— Defeasance — Defeasance and Discharge";
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale, merger or disposition of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants described under the captions "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Certain Covenants — Limitation on Asset Sales" and "— Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale, merger or disposition are used for the purposes permitted or required by the Indenture;
- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee; or
- in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor that becomes a New Non-Guarantor Subsidiary, in compliance with the terms of the Indenture.

In the case of a Subsidiary Guarantor with respect to which the Company or any Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with the consummation of such sale or issuance of Capital Stock, instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized outside the PRC will become New Non-Guarantor Subsidiaries (such that each New Non-Guarantor Subsidiary will no longer Guarantee the Notes); *provided* that, after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors

(including such New Non-Guarantor Subsidiaries and excluding Exempted Subsidiaries and Listed Subsidiaries) do not account for more than 15.0% of Total Assets. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if, as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiary that would have the effect of (a) prohibiting the Company or such relevant Restricted Subsidiary from permitting the release of such Subsidiary Guarantee or (b) requiring the Company or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Company by such Subsidiary Guarantor.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officers' Certificate stating that all requirements relating to such release have been complied with and such release is authorized and permitted by the terms of the Indenture.

Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released and replaced by a JV Subsidiary Guarantee following the sale or issuance by the Company or any Restricted Subsidiary of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 20% of the issued Capital Stock of the relevant Subsidiary Guarantor, *provided* that the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or such Restricted Subsidiary that would have the effect of (a) prohibiting the Company or such Restricted Subsidiary from releasing such Subsidiary Guarantee, (b) prohibiting the Company or such Restricted Subsidiary from providing a JV Subsidiary Guarantee as described below, or (c) requiring the Company or such relevant Restricted Subsidiary to cause to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the recipient of the JV Subsidiary Guarantee;
- such sale or issuance is made to an Independent Third Party at a consideration that is not less than the Fair Market Value of such Capital Stock;
- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
 - (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary (if any) of such JV Subsidiary Guarantor that is not a Non-Guarantor Subsidiary and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will Guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
 - (ii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
 - (iii) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including, without limitation, the covenants described under the captions “— Certain Covenants — Limitation on Asset Sales” and “— Certain Covenants — Limitation on Restricted Payments.”

Any Net Cash Proceeds from the sale or issuance of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the covenant described under the caption “— Certain Covenants — Limitation on Asset Sales.”

As of the date of the Indenture, all of the Company’s Subsidiaries will be “Restricted Subsidiaries.” Under the circumstances described below under the caption “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries,” the Company will be permitted to designate Subsidiaries as “Unrestricted Subsidiaries.” The Company’s Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company’s Unrestricted Subsidiaries will not Guarantee the Notes.

Further Issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and the JV Subsidiary Guarantees, if any) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a “Further Issue”) so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional Notes shall then be permitted under the covenant described under the caption “— Certain Covenants — “Limitation on Indebtedness and Preferred Stock” below.

Optional Redemption

At any time and from time to time prior to May 10, 2019, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor the Paying Agent is responsible for calculating or verifying the Applicable Premium.

At any time and from time to time prior to May 10, 2019, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 108.50% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Selection and Notice

The Company will give not less than 30 days’ nor more than 60 days’ notice of any redemption to the Holders and the Trustee. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

- (1) if the Notes are listed on any national securities exchange and/or being held through any clearing system, in compliance with the requirements of the principal national securities exchange on which the Notes are listed or the requirements of the clearing systems through which the Notes are held, as applicable; or
- (2) if the Notes are not listed on any national securities exchange, on a pro rata basis, by lot or by such method as the Trustee in its sole and absolute discretion deems fair and appropriate, unless otherwise required by law.

A Note of US\$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. With respect to any certificated Note, a new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on the Notes or portions of them called for redemption.

Repurchase of Notes Upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a “Change of Control Offer”) at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date (see the definition of “Offer to Purchase”).

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company’s failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes may also constitute an event of default under certain other debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company’s ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company’s and the Subsidiary Guarantors’ then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See “Risk Factors — Risks Relating to the Notes — We may not be able to repurchase the Notes upon a Change of Control Triggering Event” of this offering memorandum.

The phrase “all or substantially all,” as used with respect to the assets of the Company in the definition of “Change of Control,” will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of “all or substantially all” the assets of the Company has occurred.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner, at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event or any event which could lead to a Change of Control Triggering Event has occurred and shall not be liable to any person for any failure to do so.

No Mandatory Redemption or Sinking Fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Additional Amounts

All payments of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees and the JV Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under the caption “— Consolidation, Merger and Sale of Assets”) or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein), including, without limitation, if applicable, the PRC (each, as applicable, a “Relevant Jurisdiction”), or the jurisdiction through which payments are made or any political subdivision or taxing authority thereof or therein (each, together with a Relevant Jurisdiction, a “Taxing Jurisdiction”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts (“Additional Amounts”) as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

- (1) for or on account of:
 - (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
 - (i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Taxing Jurisdiction, other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee or JV Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Taxing Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;
 - (ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;
 - (iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person, any Subsidiary Guarantor or any JV Subsidiary Guarantor, addressed to the Holder, to provide information concerning such Holder’s or its beneficial owner’s nationality, residence, identity or connection with any Taxing Jurisdiction, if and to the extent that due and timely compliance with such request is required under the tax laws of such jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or
 - (iv) the presentation of such Note (in cases in which presentation is required) for payment in the Taxing Jurisdiction, unless such Note could not have been presented for payment elsewhere;
 - (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
 - (c) any tax, assessment or other governmental charge that is payable otherwise than by withholding or deduction from payments of principal, premium (if any) and interest on the Notes or from payments under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any);

- (d) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (“FATCA”), any current or future Treasury Regulations or rulings promulgated thereunder, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, any law, regulation or other official guidance enacted in any jurisdiction implementing such an intergovernmental agreement or FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or
 - (e) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b), (c) and (d); or
- (2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Taxing Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee or JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days’ nor more than 60 days’ notice to the Holders and the Trustee (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the “Tax Redemption Date”) if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or
- (2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective (or in the case of an official position, is announced) (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the giving of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

- (1) an Officers’ Certificate stating that such change, amendment or statement of an official position referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, such Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and

- (2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change, amendment or statement of an official position referred to in the prior paragraph.

The Trustee shall and is entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be canceled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

- (1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, *provided* that the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Non-Guarantor Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.5 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company, a Subsidiary Guarantor or a JV Subsidiary Guarantor, so long as it is so held).
- (2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following (“Permitted Indebtedness”):
 - (a) Indebtedness under the Notes (excluding any Additional Notes) and each Subsidiary Guarantee and JV Subsidiary Guarantee;
 - (b) any *Pari Passu* Guarantees;
 - (c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d) (together with refinancings thereof); *provided* that such Indebtedness of Non-Guarantor Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (a) and (b) above and clauses (d), (f), (g), (m) and (o) below);
 - (d) Indebtedness of the Company or Indebtedness or Preferred Stock of any Restricted Subsidiary owed to or held by the Company or any Restricted Subsidiary; *provided* that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Company is the obligor on such Indebtedness and none of the Subsidiary Guarantors and the JV Subsidiary Guarantors is the obligee on such Indebtedness, such Indebtedness must be expressly be subordinated in right of payment to the Notes, and if a Subsidiary Guarantor or a JV Subsidiary Guarantor is the obligor on such Indebtedness and none of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors is the obligee on such Indebtedness, such Indebtedness must be expressly subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be; *provided further* that any Preferred Stock issued by a

Subsidiary Guarantor and held by the Company or another Restricted Subsidiary must by the terms thereof or by operation of law be subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor;

- (e) Indebtedness (“Permitted Refinancing Indebtedness”) of the Company or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, “refinance” and “refinances” and “refinanced” shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clause (a), (b), (c), (h), (n), (p), (q), (r), (s), (t), (u) or (v) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, as the case may be, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, as the case may be, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced, (iii) in no event may Indebtedness of the Company, or any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor;
- (f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations to reduce or manage the exposure of the Company or any of its Restricted Subsidiaries to fluctuations in interest rates, currencies or the price of commodities;
- (g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;
- (h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in the Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such assets, real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary in the Permitted Business; *provided* that, in the case of clauses

(x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such assets, property or equipment or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (h) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (p), (q), (s), (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (h) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30.0% of Total Assets;

- (i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);
- (j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;
- (k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the disposition of such business, assets or Restricted Subsidiary;
- (l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided* that such Indebtedness is extinguished within five Business Days of Incurrence;
- (m) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, subject to the covenant described under the caption "— Limitation on Issuances of Guarantees by Restricted Subsidiaries";
- (n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; *provided* that, the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed US\$20.0 million (or the Dollar Equivalent thereof);
- (o) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into and becomes obligated to pay such deferred purchase price pursuant to such Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement;

- (p) Indebtedness Incurred or Preferred Stock or Disqualified Stock issued by any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a Restricted Subsidiary, and Indebtedness of the Company or a Restricted Subsidiary constituting a Guarantee by, or grant of a Lien on the assets of, the Company or a Restricted Subsidiary in favor of a Trust Company Investor with respect to the obligation to pay a guaranteed or preferred return to such Trust Company Investor on Capital Stock of such Restricted Subsidiary held by such Trust Company Investor, *provided* that on the date of such Incurrence of all such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock Incurred under this clause (p) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clause (h) above and clauses (q), (s), (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (p) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 30.0% of Total Assets;
- (q) Bank Deposit Secured Indebtedness Incurred by the Company or any Restricted Subsidiary; *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (q) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h) and (p) above and clauses (s), (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (q) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30.0% of Total Assets;
- (r) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US\$20.0 million (or the Dollar Equivalent thereof);
- (s) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than the Company or a Restricted Subsidiary) by the Company or such Restricted Subsidiary, *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate of all Indebtedness Incurred under this clause (s) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h), (p) and (q) above and clauses (t), (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (s) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30.0% of Total Assets;
- (t) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary became a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (t) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h), (p), (q) and (s) above and clauses (u) and (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (t) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30.0% of Total Assets;

- (u) Indebtedness Incurred by the Company or any Restricted Subsidiary which is secured by Investment Properties and Guarantees thereof by the Company or any Restricted Subsidiary, *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (u) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h), (p), (q), (s) and (t) above and clause (v) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (u) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30.0% of Total Assets;
 - (v) Indebtedness Incurred by the Company or any Restricted Subsidiary under Credit Facilities; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (v) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (p), (q), (s), (t) and (u) above and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (v) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 30.0% of Total Assets; and
 - (w) Indebtedness constituting a Subordinated Shareholder Loan.
- (3) For purposes of determining compliance with this covenant, in the event that an item of Indebtedness or Preferred Stock meets the criteria of more than one of the types of Indebtedness or Preferred Stock described above, including under the proviso in the first paragraph, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness or Preferred Stock in one or more types of such Indebtedness or Preferred Stock.
 - (4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred or Preferred Stock that may be issued pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “Restricted Payments”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any Restricted Subsidiary’s Capital Stock (other than dividends or distributions payable or paid in shares of the Company’s Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Restricted Subsidiary;
- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Restricted Subsidiary;
- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any of the Subsidiary Guarantees or any of the JV Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any Restricted Subsidiary); or
- (4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock”; or
- (c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after the Original Issue Date, shall exceed the sum of:
 - (i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on January 1, 2017 and ending on the last day of the Company’s most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); *plus*
 - (ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Original Issue Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Restricted Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Restricted Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; *plus*
 - (iii) the amount by which Indebtedness of the Company or any Restricted Subsidiary is reduced on the Company’s consolidated balance sheet upon the conversion or exchange (other than by a Restricted Subsidiary of the Company) subsequent to the Original Issue Date of any Indebtedness of the Company or any Restricted Subsidiary convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); *plus*
 - (iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Original Issue Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Original Issue Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date of an obligation of another Person, (C) to the extent that an Investment made after the Original Issue Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person, or (E) any Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of the definition of “Permitted Investment”) but only to the extent such Investments by the Company or any Restricted Subsidiary in such

Person was a Restricted Payment made to the extent permitted under this paragraph (c); *plus*

- (v) US\$20.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or a sale (other than to a Restricted Subsidiary of the Company) of, shares of the Capital Stock (other than Disqualified Stock) of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, *provided however* that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (3);
- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, *provided however* that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (4);
- (5) the declaration and payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a *pro rata* basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary;;
- (6) dividends or other distributions paid to, or the purchase of Capital Stock of any Restricted Subsidiary held by, any Trust Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred or issued under paragraph (2)(p) of the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock”;
- (7) cash payments in lieu of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Company, provided, however, that any such cash payments shall not be for the purpose of evading the limitation of this covenant (as determined in good faith by the Board of Directors of the Company);
- (8) the purchase by the Company or a Restricted Subsidiary of Capital Stock of any Restricted Subsidiary that is not Wholly Owned, directly or indirectly, by the Company from an Independent Third Party pursuant to an agreement entered into between/among the Company or any Restricted Subsidiary and such Independent Third Party solely for the purpose of acquiring real property or land use rights, provided that (x) such purchase occurs within 12 months after such Restricted Subsidiary acquires the real property or land use rights it was

formed to acquire and (y) the Company delivers to the Trustee a Board Resolution set forth in an Officers' Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock is less than or equal to the Fair Market Value of such Capital Stock;

- (9) (A) the repurchase, redemption or other acquisition or retirement for value of the Capital Stock of the Company or any Restricted Subsidiary (directly or indirectly, including through any trustee, agent or nominee) in connection with an employee benefit plan, and any corresponding Investment by the Company or any Restricted Subsidiary in any trust or similar arrangements to the extent of such repurchased, redeemed, acquired or retired Capital Stock, or (B) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary held by an employee benefit plan of the Company or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing); provided that the aggregate consideration paid for all such repurchased, redeemed, acquired or retired Capital Stock shall not exceed US\$5.0 million (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination);
- (10) repurchases of Capital Stock deemed to occur upon the exercise of stock options if such Capital Stock represents a portion of the exercise price thereof;
- (11) the payment of any dividend or distribution payable or paid in Capital Stock (other than Disqualified Stock or Preferred Stock) of any Unrestricted Subsidiary or in options, warrants or other rights to acquire shares of such Capital Stock;
- (12) the redemption, repurchase or other acquisition of or the declaration and payment of dividends on the Common Stock of the Company by the Company in an aggregate amount not to exceed 25.0% of profit for year based on the consolidated financial statements of the Company for any fiscal year;
- (13) payments, including distributions, made under or in connection with any Perpetual Securities Obligation pursuant to the terms thereof or in connection with a repurchase or redemption thereof;
- (14) the distributions or payments of Securitization Fees in connection with Receivable Financings; or
- (15) the payment by the Company of a dividend in respect of its Capital Stock, which dividend is declared on or prior to June 30, 2018, in an amount of HK\$412,300,000 as announced on the Hong Kong Stock Exchange,

provided that, in the case of clause (2), (3), (4), (12), (13), (14) or (15) of this paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment made pursuant to clause (1) and clause (12) of the preceding paragraph shall be included in calculating whether the conditions of clause (c) of the first paragraph of this covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities (other than any Restricted Payments set forth in clauses (5) through (15) above) must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US\$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US\$10.0 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) through (8) above), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

For purposes of determining compliance with this covenant, in the event that an item of Investment meets the criteria of both the first paragraph of this covenant and paragraph (17) of the definition of “Permitted Investment” at any time, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Investment in either or both of such paragraphs.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

- (1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
 - (a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
 - (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
 - (c) make loans or advances to the Company or any other Restricted Subsidiary; or
 - (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.

provided that for the avoidance of doubt the following shall not be deemed to constitute such an encumbrance or restriction: (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Company and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm’s length basis.

- (2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:
 - (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, or under any *Pari Passu* Guarantee, or any Indebtedness of the Company, any Subsidiary Guarantee or any JV Subsidiary Guarantee guaranteed by any *Pari Passu* Guarantee and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (b) existing under or by reason of applicable law, rule, regulation or order;
 - (c) with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, or (ii) exist by virtue of any Lien

on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of the property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;

- (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the covenants described under the captions “— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “— Limitation on Indebtedness and Preferred Stock” and “— Limitation on Asset Sales”;
- (f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness or issuance of Preferred Stock or Disqualified Stock of the type described under clause (2)(h), (2)(o), (2)(p), (2)(q), (2)(s), (2)(t), (2)(u) or (2)(v) or permitted under clause (2)(n) or (2)(r) of the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock” if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and, with respect to Indebtedness of the type described in clause 2(h), 2(o), (2)(p), 2(q), 2(s), 2(t), 2(u) or 2(v) or permitted under (2)(n) or (2)(r), any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
- (g) existing in customary provisions in shareholders agreement, joint venture agreements and other similar agreements, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a shareholder, joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the Notes, or (y) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee; or
- (h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Unrestricted Subsidiary or its subsidiaries or the property or assets of such Unrestricted Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary or, in the case of a Restricted Subsidiary that is not Wholly Owned, *pro rata* to its shareholders or incorporators or on a basis more favorable to the Company and/or its Restricted Subsidiary;
- (2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) the sale or issuance of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such sale or issuance, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the covenant described under the caption "— Limitation on Restricted Payments" if made on the date of such sale or issuance and *provided* that the Company complies with the covenant described under the caption "— Limitation on Asset Sales"; or
- (4) the sale or issuance of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such sale or issuance); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such sale or issuance in accordance with the covenant described under the caption "— Limitation on Asset Sales."

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor, unless (1)(a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of a Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of a JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim, or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, until the Notes have been paid in full or (2) such Guarantee is permitted by clause (2)(c), (2)(d) or (2)(q) (in the case of clause (2)(q), with respect to the Guarantee provided by the Company or any Restricted Subsidiary through the pledge of bank accounts, deposits or other assets to secure (or the use of any Guarantee, letter of credit or similar instrument to Guarantee), directly or indirectly, any Bank Deposit Secured Indebtedness), under the caption "— Limitation on Indebtedness and Preferred Stock."

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes, the Subsidiary Guarantee or the JV Subsidiary Guarantee.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an "Affiliate Transaction"), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a

comparable arm's length transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and

- (2) the Company delivers to the Trustee:
 - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Company or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view or confirming that the terms of such Affiliate Transaction are no less favorable to the Company or the relevant Restricted Subsidiary than terms available to (or from, as applicable) a Person that is not an Affiliate of the Company issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees and other compensation for the service to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;
- (2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clause (1), (2) or (3) of the first paragraph of the covenant described under the caption "— Limitation on Restricted Payments" if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option or other incentive scheme, so long as such scheme is in compliance with the listing rules of The Hong Kong Stock Exchange Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme; or
- (6) any employment, consulting, service or termination agreement, or reasonable and customary indemnification arrangements, entered into by the Company or any of its Restricted Subsidiaries with directors, officers, employees and consultants in the ordinary course of business and the payment of compensation pursuant thereto.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (including Permitted Investments that are permitted under paragraph (17) of the definition of "Permitted Investments" but otherwise excluding any other Permitted Investments) not prohibited by the covenant described under the caption "— Limitation on Restricted Payments," (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, (iii) any transaction (A) between or among the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, (B) between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries, or (C) between or among the Company or a Restricted Subsidiary on the one hand and any Minority Joint Venture or Unrestricted Subsidiary on the other; *provided* that in the case of clause (iii) (a) such transaction is entered into in the ordinary course of

business, (b) in the case of a non-Wholly Owned Restricted Subsidiary, none of the shareholders or partners (other than the Company or any Restricted Subsidiary) of or in such Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such other shareholder or partner being an officer or director of such Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary or by reason of being a Subsidiary or Minority Joint Venture of the Company and (iv) for as long as the Common Stock of the Company remains listed on The Stock Exchange of Hong Kong Limited, any Affiliate Transaction which is conducted in compliance with the applicable listing rules of The Stock Exchange of Hong Kong Limited.

Limitation on Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

In the event that one or more Liens (and documents relating thereto) are to be established or maintained to effect equal and ratable security arrangements in respect of the Notes (as contemplated under the preceding paragraph) with regards to Indebtedness proposed to be or previously Incurred by the Company or any Subsidiary Guarantor in compliance with the terms of the Indenture, the Company may instruct the Trustee to directly, or through its Affiliates (in its capacity as Trustee or that of a collateral agent on such terms as it shall require) and without the consent of any Holders, (a) enter into one or more intercreditor agreements, pledge agreements, collateral and security agreements or other arrangements intended to effect the shared security arrangements contemplated by this paragraph among holders of such Indebtedness and (b) complete or facilitate the completion by itself or other parties of filings, registrations or other actions necessary to effect or perfect the relevant Liens or related arrangements.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; *provided* that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Company or such Restricted Subsidiary could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under “— Limitation on Indebtedness and Preferred Stock” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption “— Limitation on Liens,” in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of such Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in such Sale and Leaseback Transaction is permitted by, and the Company or such Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under the caption “— Limitation on Asset Sales.”

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and
- (3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided* that, in the case of an Asset Sale in which the Company or such

Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$15.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:

- (a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and
- (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

- (1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or
- (2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or in properties or assets (other than current assets that are not land use rights, properties under development or completed property held for sale) that will be used in the Permitted Businesses (including any Capital Stock in a person holding such property or assets that is primarily engaged in a Permitted Business) ("Replacement Assets").

Pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above, the Company or any Restricted Subsidiary may make an Investment in cash or Temporary Cash Investments.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US\$20.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceeds US\$20.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

- (1) accumulated Excess Proceeds, multiplied by
- (2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale,

rounded down to the nearest US\$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount of the Notes plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered into (or required to be prepaid or redeemed in connection with) such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a *pro rata* basis by lot or such other method the Trustee determines in its sole and absolute discretion. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Company's Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; provided, however, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited when made by the covenant under the caption “— Limitation on Restricted Payments.”

Use of Proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified, including any adjustment in response to changes in acquisition or development plans as contemplated, under the caption “Use of Proceeds” in this offering memorandum (or in the case of Additional Notes, the offering or other document relating to the sale of such Additional Notes) and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary provides credit support (other than any credit support in compliance with clause (6) of this paragraph) for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company as a result of such designation; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock” or such Lien would violate the covenant described under the caption “— Limitation on Liens”; (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under “— Limitation on Restricted Payments.”

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock”; (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption “— Limitation on Liens”; (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); and (5) if such Restricted Subsidiary is not a Non-Guarantor Subsidiary, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor to the extent required under “— The Subsidiary Guarantees and the JV Subsidiary Guarantees.”

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on

(a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Suspension of Certain Covenants

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from two of the three Rating Agencies and no Default has occurred and is continuing (a “Suspension Event”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from any of the Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

- (1) “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (2) “— Certain Covenants — Limitation on Restricted Payments”;
- (3) “— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries”;
- (4) “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries”;
- (5) “— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries”;
- (6) “— Certain Covenants — Limitation on the Company’s Business Activities”;
- (7) “— Certain Covenants — Limitation on Sale and Leaseback Transactions”;
- (8) “— Certain Covenants — Limitation on Asset Sales”; and
- (9) clauses (3), (4) and 5(x) of the first and second paragraphs of “— Consolidation, Merger and Sale of Assets.”

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under the caption “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under “— Certain Covenants — Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of Financial Statements and Reports

- (1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's ordinary shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that, if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:
 - (a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis and in English language) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;
 - (b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis and in English language) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and
 - (c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statements (on a consolidated basis and in English language), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.
- (2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the four most recent fiscal quarters and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio thereof, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; *provided* that the Company shall not be required to provide such auditor certificate if its external auditors refuse to provide such certificate as a result of a policy of such external auditors not to provide such certificate; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

- (1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;
- (3) default in the performance or breach of the provisions of the covenants described under "— Consolidation, Merger and Sale of Assets," the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions "— Repurchase of Notes upon a Change of Control Triggering Event" or "— Certain Covenants — Limitation on Asset Sales";

- (4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;
- (5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$10.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal or interest payment when due;
- (6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$10.0 million (or the Dollar Equivalent thereof) (in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (7) an involuntary case or other proceeding is commenced against the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) or for any substantial part of the property and assets of the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (8) the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) or for all or substantially all of the property and assets of the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) or (c) effects any general assignment for the benefit of creditors (other than, in each case under (b), any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Subsidiary in the ordinary course of business that shall result in the net assets of such Significant Subsidiary being transferred to or otherwise vested in the Company or any Restricted Subsidiary on a pro rata basis or on a basis more favorable to the Company); or
- (9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written request of such Holders shall, subject to receiving indemnity and/or

security to its satisfaction, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary), the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of the Holders of Notes waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

- (1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that is unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action that is not inconsistent with any such direction received from Holders. The Trustee shall not be required to expend its funds in following such direction if it does not believe that reimbursement or indemnity and/or security is assured to it.

A Holder of Notes may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity and/or security satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such written request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the written request and the offer of indemnity and/or security; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the written request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company's and its Restricted Subsidiaries' performance under the Indenture and that the Company and its Restricted Subsidiaries have fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee in writing of any default or defaults in the performance of any covenants or agreements under the Indenture. See "— Certain Covenants — Provision of Financial Statements and Reports."

Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person, unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture and the Notes, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Notes, as the case may be, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a *pro forma* basis the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant described under the caption "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";
- (5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and
- (6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under this caption, shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than to another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor), unless:

- (1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such

property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor); and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture and the Notes, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Notes, as the case may be, shall remain in full force and effect;

- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis, the Company could incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”; and
- (5) the Company delivers to the Trustee (x) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with,

provided that this paragraph shall not apply to any sale or other disposition that complies with the covenant described under the caption “— Certain Covenants — Limitation on Asset Sales” or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under “— The Subsidiary Guarantees and the JV Subsidiary Guarantees — Release of the Subsidiary Guarantees and the JV Subsidiary Guarantees.”

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor that may adversely affect Holders.

No Payments for Consents

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes in connection with

an exchange or tender offer, the Company and any Restricted Subsidiary may exclude (i) Holders or beneficial owners of the Notes that are not institutional “accredited investors” as defined in Rule 501 under the Securities Act, and (ii) Holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Company or any Restricted Subsidiary to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, Holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion.

Defeasance

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

- (1) the Company (a) has deposited with the Trustee (or its agent), in trust, money and/or U.S. Government Obligations or any combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;
- (2) the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and
- (3) immediately after giving effect to such deposit on a *pro forma* basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiary is a party or by which the Company or any of its Restricted Subsidiary is bound.

In the case of either discharge or defeasance of the Notes the Subsidiary Guarantees and the JV Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture further will provide that (i) the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under “— Consolidation, Merger and Sale of Assets” and all the covenants described herein under “— Certain Covenants,” other than as described under “— Certain Covenants — Government Approvals and Licenses; Compliance with Law” and “— Certain Covenants — Anti-Layering,” and (ii) clause (3) under “— Events of Default” with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under “— Consolidation, Merger and Sale of Assets” and with respect to the other events set forth in clause (i) above, clause (4) under “— Events of Default” with respect to such other covenants in clause (i) above and clauses (5) and (6) under “Events of Default” shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or

its agent), in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event that the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company will remain liable for such payments.

Amendments and Waiver

Amendments Without Consent of Holders

The Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) may be amended, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture or the Notes;
- (2) comply with the provisions described under “— Consolidation, Merger and Sale of Assets”;
- (3) evidence and provide for the acceptance of appointment by a successor Trustee;
- (4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) add or release any collateral to secure the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee or enter into any intercreditor agreement in accordance with the Indenture;
- (7) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;
- (8) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream;
- (9) make any other change that does not materially and adversely affect the rights of any Holder;
or
- (10) conform the text of the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees to any provision of this “Description of the Notes” to the extent that such provision in this “Description of the Notes” was intended to be a verbatim recitation of a provision in the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees.

Amendments With Consent of Holders

The Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) may be amended with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the Holders of a majority in aggregate principal amount of the outstanding Notes or the

Trustee may amend or waive future compliance by the Company with any provision thereof; *provided, however*, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

- (1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the currency of payment of principal of, or premium, if any, or interest on, any Note;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note, any Subsidiary Guarantee or any JV Subsidiary Guarantee;
- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;
- (7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;
- (8) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (9) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders;
- (10) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale, whether through an amendment or waiver of provision in the covenants, definitions or otherwise, unless such amendment, waiver or modification shall be in effect prior to the occurrence of a Change of Control Triggering Event or the event giving rise to the repurchase of the Notes under “Certain Covenants — Limitation on Asset Sales”;
- (11) change the redemption date or the redemption price of the Notes from that stated under the caption “— Optional Redemption” or “— Redemption for Taxation Reasons”;
- (12) amend, change or modify the obligation of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts; or
- (13) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner which materially and adversely affects the Holders.

Unclaimed Money

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees, or because of the

creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any of the Subsidiary Guarantors or JV Subsidiary Guarantors, or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

Concerning the Trustee and the Agents

Citicorp International Limited has been appointed as Trustee under the Indenture. Citibank, N.A., London Branch has been appointed as note registrar (the “Note Registrar”) and paying agent (the “Paying Agent” and together with the Note Registrar, the “Agents”) with regard to the Notes. Except during the continuance of a Default, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenant or obligation shall be read into the Indenture against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person’s own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions, including normal banking and trustee relationships, with the Company and its Affiliates; *provided, however*, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

The Trustee will not be under any obligation to exercise any rights or powers conferred under the Indenture for the benefit of the Holders, unless such Holders have instructed it in writing and offered to the Trustee indemnity and/or security satisfactory to the Trustee against any loss, liability or expense.

Furthermore, each Holder, by accepting the Notes agrees, for the benefit of the Trustee, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the offering of the Notes and has not relied on and will not at any time rely on the Trustee in respect of such risks.

Book-Entry; Delivery and Form

The Notes will be represented by a global note in registered form without interest coupons attached (the “Initial Global Note”). On the Original Issue Date, the Global Note will be deposited with a common depository and registered in the name of the common depository or its nominee for the accounts of Euroclear and Clearstream. Any additional Notes will be represented by additional global notes in registered form without interest coupons attached (the “Additional Global Notes” and, together with the Initial Global Note, the “Global Notes”).

Global Notes

Ownership of beneficial interests in the Global Notes (the “book-entry interests”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under “— Individual Definitive Notes,” the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depository for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Notes for all purposes under the Indenture and “holders” of book-entry interests will not be considered the owners or “Holders” of Notes for any purpose. As

such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Trustee or any of the Agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

Payments on the Global Notes

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and Additional Amounts) will be made to the Paying Agent in U.S. dollars. The Paying Agent will, in turn, make such payments to the common depository for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Company, the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under “— Additional Amounts.”

Under the terms of the Indenture, the Company, any Subsidiary Guarantor, any JV Subsidiary Guarantor and the Trustee will treat the registered holder of the Global Notes (i.e., the common depository or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of the Agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, the common depository will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depository, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided, however*, that no book-entry interest of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in a Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Note for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Notes will be subject to the restrictions on transfer discussed under "Transfer Restrictions" of this offering memorandum.

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the applicable settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream participants on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

The Company understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of the Agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Individual Definitive Notes

If (1) the common depository or any successor to the common depository is at any time unwilling or unable to continue as a depository for the reasons described in the Indenture and a successor depository is not appointed by the Company within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise)

or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “— Events of Default” and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depository, Euroclear, Clearstream or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depository for the exchange of interests in the Global Notes for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the Trustee for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the Note Registrar, through the relevant clearing system, with written instruction and other information required by the Company and the Note Registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or first-class mail (if intended for the Company or any Subsidiary Guarantor) addressed to the Company or such Subsidiary Guarantor, (if intended for the Trustee) at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder’s last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Company and each of the Subsidiary Guarantors will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Cogency Global Inc. for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any) and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this “Description of the Notes” for which no definition is provided.

“Acquired Indebtedness” means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

“Adjusted Treasury Rate” means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Board

of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities”, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after May 10, 2019, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

“Affiliate” means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Applicable Premium” means with respect to any Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) the redemption price of such Note on May 10, 2019 (such redemption price being set forth in the table appearing above under the caption “Optional Redemption”), plus (y) all required remaining scheduled interest payments due on such Note through May 10, 2019 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

“Asset Acquisition” means (1) an investment by the Company or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries; or (2) an acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any of its Restricted Subsidiaries.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock by a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person; *provided* that “Asset Sale” shall not include:

- (1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;
- (2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the covenant described under the caption “— Certain Covenants — Limitation on Restricted Payments”;
- (3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;

- (5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (6) a transaction covered by the covenant described under the caption “— Consolidation, Merger and Sale of Assets”; and
- (7) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“Average Life” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“Bank Deposit Secured Indebtedness” means Indebtedness of the Company or any Restricted Subsidiary that is (i) secured by bank accounts, deposits or other assets of the Company or a Restricted Subsidiary or (ii) guaranteed by a guarantee or a letter of credit (or similar instruments) from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to in effect exchange foreign currencies into Renminbi or vice versa or to remit Renminbi or any foreign currency into or outside the PRC.

“Board of Directors” means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

“Change of Control” means the occurrence of one or more of the following events:

- (1) the merger, amalgamation or consolidation of the Company with or into another Person (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Company, or the sale of all or substantially all the assets of the Company to another Person (other than one or more Permitted Holders);
- (2) the Permitted Holders are the beneficial owners of less than 50.1% of the total voting power of the Voting Stock of the Company;

- (3) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the U.S. Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the U.S. Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;
- (4) individuals who on the Original Issue Date constituted the board of directors of the Company, together with any new directors whose election by the board of directors was approved by a vote of at least two-thirds of the directors then still in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or
- (5) the adoption of a plan relating to the liquidation or dissolution of the Company.

“Change of Control Triggering Event” means the occurrence of both a Change of Control and a Rating Decline.

“Clearstream” means Clearstream Banking S.A.

“Commodity Hedging Agreement” means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in commodity prices.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

“Comparable Treasury Issue” means the U.S. Treasury security having a maturity comparable to the maturity date of the Notes that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the maturity date of the Notes.

“Comparable Treasury Price” means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three (or such lesser number as is obtained by the Trustee) Reference Treasury Dealer Quotations for such redemption date.

“Consolidated Assets” means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries’ proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements).

“Consolidated EBITDA” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense,
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets), and
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than accrual of revenue in the ordinary course of business and gains on Investment Properties arising from fair value adjustments made in conformity with GAAP),

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; *provided* that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to

(A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted Subsidiaries and (2) in the case of any future PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary. For the avoidance of doubt, distributions incurred, accrued or payments on any Perpetual Securities Obligation shall not be included in the calculation of Consolidated Fixed Charges.

“Consolidated Interest Expense” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any Person (other than the Company or any Restricted Subsidiary) that is Guaranteed by, or secured by a Lien on any asset of, the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees and Liens on any Capital Stock of a Person that is not a Restricted Subsidiary), only to the extent such interest is actually paid by the Company or any Restricted Subsidiary and (7) any capitalized interest; *provided* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a *pro forma* basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period. For the avoidance of doubt, distributions incurred, accrued or payments on any Perpetual Securities Obligation shall not be included in the calculation of Consolidated Interest Expense.

“Consolidated Net Income” means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
 - (a) subject to the exclusion contained in clause (5) below, the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and
 - (b) the Company’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;

- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles;
- (5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);
- (6) any translation gains and losses due solely to fluctuations in currency values and related tax effects;
- (7) any gains and losses arising from changes in the fair value of trust loans related derivatives, as determined in conformity with GAAP; and
- (8) any net after-tax extraordinary or non-recurring gains,

provided that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of this Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available quarterly, semi-annual or annual consolidated balance sheet (which may be an internal consolidated balance sheet) of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

“Contractor Guarantees” means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of assets, real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“Credit Facilities” means one or more of the facilities or arrangements with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables or financings (including without limitation through the sale of receivables or assets to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or assets or the creation of any Liens in respect of such receivables or assets in favor of such institutions), letters of credit or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledge agreements, security agreements and collateral documents, in each case

as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder (provided that such increase is permitted under the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”) or (4) otherwise altering the terms and conditions thereof.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in foreign exchange rates.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the covenants described under the captions “— Certain Covenants — Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event” and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the covenants described under the captions “— Certain Covenants — Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event.”

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“Entrusted Loans” means borrowings by a Non-Guarantor Subsidiary from the Company or another Non-Guarantor Subsidiary (whether directly or through or facilitated by a bank or other financial institution), *provided* that, such borrowings are not reflected as borrowings on the consolidated balance sheet of the Company.

“Equity Offering” means (i) any underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price; *provided* that any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Company being no less than US\$20.0 million (or the Dollar Equivalent thereof).

“Euroclear” means Euroclear Bank SA/NV.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended.

“Exempted Subsidiary” means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation to provide a Subsidiary Guarantee or a JV Subsidiary

Guarantee; *provided* that (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee or JV Subsidiary Guarantee, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

“Fair Market Value” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of recognized international standing appointed by the Company.

“Fitch” means Fitch Ratings Ltd. and its successors.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarter periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the “Four Quarter Period”) to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

- (a) pro forma effect shall be given to any Indebtedness or Preferred Stock Incurred, repaid or redeemed during the period (the “Reference Period”) commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness or Preferred Stock;
- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that, to the extent that clause (d) or (e) of this paragraph requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the four full fiscal quarter periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“GAAP” means generally accepted accounting principles in Hong Kong as in effect from time to time.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), *provided* that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

“Holder” means the Person in whose name a Note is registered in the Note register.

“Incur” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount, the accrual of interest, the accrual of dividends, the payment of interest in the form of additional Indebtedness and the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock shall not be considered an Incurrence of Indebtedness. The terms “Incurrence,” “Incurred” and “Incurring” have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations; and

- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include (1) any capital commitments, deferred payment obligations, pre-sale receipts in advance from customers or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business, (2) Entrusted Loans, or (3) any Perpetual Securities Obligation; *provided* that such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company as borrowings or indebtedness (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided* that

- (1) the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP;
- (2) money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest; and
- (3) the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to clause (2)(f) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock,” and (ii) equal to the net amount payable by such Person if such Hedging Obligation were terminated at that time if not Incurred pursuant to such paragraph.

“Independent Third Party” means any Person that is not an Affiliate of the Company.

“Initial Other Non-Guarantor Subsidiary” means True Dragon (Singapore) Pte. Ltd., unless it has after the Original Issue Date executed a Subsidiary Guarantee or a JV Subsidiary Guarantee in accordance with the terms of the Indenture.

“Interest Rate Agreement” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in interest rates.

“Investment” means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the “Designation of Restricted and Unrestricted Subsidiaries” and “Limitation on Restricted Payments” covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company’s proportional interest in the Fair Market Value of the assets (net of the Company’s proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Grade” means a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns, a rating of “Aaa,” or “Aa,” “A” or “Baa,” as modified by a “1,” “2” or “3” indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s or any of its successors or assigns, or a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P, Moody’s or Fitch or two or three of them, as the case may be.

“Investment Property” means any property that is held by the Company or any Restricted Subsidiary primarily for rental yields or for capital appreciation or both, or any hotel owned or held by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

“JV Entitlement Amount” means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its subsidiaries) as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the direct equity ownership percentage of the Company and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

“JV Subsidiary Guarantee” has the meaning set forth under the caption “— The Subsidiary Guarantees and the JV Subsidiary Guarantees.”

“JV Subsidiary Guarantor” means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“Listed Subsidiary” means any Restricted Subsidiary any class of Voting Stock of which is listed on a Qualified Exchange and any Restricted Subsidiary of a Listed Subsidiary; *provided* that such Restricted Subsidiary shall cease to be a Listed Subsidiary immediately upon, as applicable, (x) the Voting Stock of such Restricted Subsidiary ceasing to be listed on a Qualified Exchange, or (y) such Restricted Subsidiary ceasing to be a Restricted Subsidiary of a Listed Subsidiary.

“Minority Interest Staged Acquisition Agreement” means an agreement between the Company and/or any Restricted Subsidiary on the one hand and an Independent Third Party on the other (x) pursuant to which the Company and/or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock at the time the Company and/or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Minority Joint Venture” means any corporation, association or other business entity that is accounted for by the equity method of accounting in accordance with GAAP by the Company or a Restricted Subsidiary and primarily engaged in the Permitted Businesses, and such Minority Joint Venture’s Subsidiaries.

“Moody’s” means Moody’s Investors Service, Inc. and its successors.

“Net Cash Proceeds” means:

- (1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:
 - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;

- (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;
 - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;
 - (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and
- (2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Offer to Purchase” means an offer to purchase Notes by the Company from the Holders commenced by the Company sending a notice to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note register stating:

- (1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “Offer to Purchase Payment Date”);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the tender agent (the “Tender Agent”) at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Tender Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000 in excess thereof.

One Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Tender Agent money sufficient to pay the purchase price of all Notes or portions thereof tendered pursuant to an Offer to Purchase. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro

rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company.

The Tender Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000 in excess thereof. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

“Officer” means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

“Officers' Certificate” means a certificate signed by two Officers; *provided, however*, with respect to the Officers' Certificate required to be delivered by any Subsidiary Guarantor under this Indenture, Officers' Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor at the time such certificate is required to be delivered.

“Opinion of Counsel” means a written opinion from legal counsel who is reasonably acceptable to the Trustee.

“Original Issue Date” means the date on which the Notes are originally issued under the Indenture.

“*Pari Passu* Guarantee” means a guarantee by the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes) or any Subsidiary Guarantor or JV Subsidiary Guarantor; *provided* that (1) the Company, or such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, was permitted to Incur such Indebtedness under the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock” and (2) such guarantee ranks *pari passu* with the Notes, with any outstanding Subsidiary Guarantee of such Subsidiary Guarantor, or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

“Payment Default” means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the caption “— Repurchase of Notes upon a Change of Control,” or an Offer to Purchase in the manner described under the caption “— Certain Covenants — Limitation on Asset Sales” or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

“Permitted Businesses” means any business which is the same as or related, ancillary or complementary to any of the businesses of the Company and its Restricted Subsidiaries on the Original Issue Date, which, for the avoidance of doubt, shall include, among others, real estate development business and financial investment in real estate industry.

“Permitted Holders” means any or all of the following:

- (1) Mr. Ou Zongrong, Mr. Ou Guoqiang and Mr. Ou Guowei;
- (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Persons specified in clause (1);
- (3) the estate, trust and any immediate family member of the Persons listed in (1) or the legal representative of any of the foregoing; and
- (4) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% by Persons specified in clauses (1), (2) and (3).

“Permitted Investment” means:

- (1) any Investment in the Company or a Restricted Subsidiary, directly or indirectly through one or more other Restricted Subsidiaries, that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged, directly or indirectly through one or more other Restricted Subsidiaries, in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged, directly or indirectly through one or more other Restricted Subsidiaries, in a Permitted Business;
- (2) any Investment in cash or Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (6) any Investment pursuant to a Hedging Obligation designed to reduce or manage the exposure of the Company or any Restricted Subsidiary to fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption “— Certain Covenants — Limitation on Asset Sales”;
- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under the caption “— Certain Covenants — Limitation on Liens”;
- (10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;
- (11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;
- (12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet;

- (13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;
- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (15) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the direct or indirect acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person), in each case in the ordinary course of business;
- (16) Guarantees permitted under the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (17) any Investment (including any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the sale of Capital Stock of a Restricted Subsidiary) by the Company or any Restricted Subsidiary in any Person (other than a Restricted Subsidiary); *provided* that:

- (i) the aggregate of all Investments made under this clause (17) since the Original Issue Date shall not exceed in aggregate an amount equal to 25.0% of Total Assets.

Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (17) since the Original Issue Date resulting from:

- (A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause (17), in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),
- (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date under this clause of an obligation of any such Person,
- (C) to the extent that an Investment made after the Original Issue Date under this clause (17) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment,
- (D) redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries not to exceed, in each case, the amount of Investments made pursuant to this clause (17) by the Company or any Restricted Subsidiary after the Original Issue Date in any such Person, or
- (E) any such Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of this definition),

not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person pursuant to this clause (17),

- (ii) the Person into which such Investment is made is primarily engaged in the Permitted Businesses;
- (iii) none of the shareholders or partners (other than the Company or any Restricted Subsidiary) in such Person in which such Investment was made pursuant to this clause

(17) is a Person described in clause (x) or (y) of the first paragraph of the covenant described under the caption “— Certain Covenants — Limitation on Transactions with Shareholders and Affiliates” (other than by reason of such shareholder or partner being an officer or director of the Company, a Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary or by reason of being a Subsidiary, Minority Joint Venture or Unrestricted Subsidiary of the Company) and

- (iv) no Default has occurred and is continuing or would occur as a result of such Investment.

For the avoidance of doubt, the value of each Investment made pursuant to this clause (17) shall be valued at the time such Investment is made;

- (18) advances in the ordinary course of business to government authorities or government-affiliated entities in the PRC for the purpose of the development and preparation by such government authority or government affiliated entity of primary land for auction purposes which advances are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet to the extent each such advance is on normal commercial terms including being subject to repayment from the relevant government authority;
- (19) an acquisition of assets, Capital Stock or other securities by the Company or a Subsidiary for consideration to the extent such consideration consists solely of Common Stock of the Company;
- (20) repurchases of the Notes;
- (21) the purchase of Capital Stock of a Person and payments made pursuant to a Staged Acquisition Agreement or a Minority Interest Staged Acquisition Agreement; and
- (22) Investment that has been agreed to or is otherwise obligated to be made pursuant to an agreement or similar instrument in existence on the Original Issue Date, in an aggregate amount not exceeding RMB1,500,000,000.

“Permitted Liens” means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers’ acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);
- (4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;
- (5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;
- (6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided* that

such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;

- (7) Liens in favor of the Company or any Restricted Subsidiary;
- (8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;
- (9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;
- (10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry, in each case, securing Indebtedness under Hedging Obligations permitted by clause (2)(f) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (11) Liens existing on the Original Issue Date;
- (12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (e) of the second paragraph of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (13) any interest or title of a lessor in the property subject to any operating lease;
- (14) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (2)(g) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (15) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;
- (16) Liens (including extensions and renewals thereof) upon real or personal property; *provided* that, (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item; *provided* that, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated financial statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (16) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;
- (17) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

- (18) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (19) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (20) Liens granted by the Company or a Restricted Subsidiary in favor of a Trust Company Investor in respect of, and to secure, the Indebtedness permitted under paragraph (2)(p) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (21) Liens securing Indebtedness permitted under clause (2)(n) or (2)(t) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (22) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(o) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (23) Liens incurred on bank accounts, deposits or other assets made to secure Bank Deposit Secured Indebtedness;
- (24) Liens securing Indebtedness permitted under clause (2)(s) or (2)(u) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” incurred in the PRC;
- (25) Liens incurred or deposits made to secure Entrusted Loans; and
- (26) Liens on Investment Properties securing Indebtedness of the Company or any Restricted Subsidiary permitted to be Incurred under clause (2)(u) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;” and
- (27) Liens on assets of a Non-Guarantor Subsidiary securing any Permitted Subsidiary Indebtedness of any Non-Guarantor Subsidiary permitted to be Incurred under the proviso in paragraph (1) of the covenant described under “— Certain Covenants-Limitation on Indebtedness and Preferred Stock.”

“Permitted Subsidiary Indebtedness” means Indebtedness of, and all Preferred Stock issued by, the Non-Guarantor Subsidiaries, taken as a whole; *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding any Public Indebtedness and any Indebtedness of any Non-Guarantor Subsidiary permitted under clauses 2(a), (b), (d), (f), (g), (m) and (o) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”) does not exceed an amount equal to 15% of Total Assets.

“Perpetual Securities Obligation” means perpetual securities that are accounted for as equity in accordance with the relevant generally accepted accounting principles.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“PRC” means the People’s Republic of China, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan.

“PRC CJV” means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on September 3, 2016 and

effective on October 1, 2016) and the Detailed Rules for the Implementation of the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995 (as most recently amended on March 1, 2017 by the Decision of the State Council on Abolishing and Amending Some Administrative Regulations), as such laws may be amended.

"PRC CJV Partner" means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

"Pre-Registration Mortgage Guarantee" means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided* that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

"Preferred Stock" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"Public Indebtedness" means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

"Qualified Exchange" means either (1) The New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Nasdaq Stock Market, Singapore Exchange Securities Trading Limited, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Taiwan Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the U.S. Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the U.S. Securities Act).

"Rating Agencies" means (1) S&P, (2) Moody's and (3) Fitch.

"Rating Category" means (1) with respect to S&P, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); (2) with respect to Moody's, any of the following categories: "Ba," "B," "Caa," "Ca," "C" and "D" (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); and (4) the equivalent of any such category of S&P, Moody's or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "-" for S&P; "1," "2" and "3" for Moody's; "+" and "-" for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from "BB+" to "BB," as well as from "BB-" to "B+," will constitute a decrease of one gradation).

"Rating Date" means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control Triggering Event and (y) a public notice of the occurrence of a Change of Control Triggering Event or of the intention by the Company or any other Person or Persons to effect a Change of Control Triggering Event or (2) in connection with actions contemplated under the caption "— Consolidation, Merger and Sale of Assets," that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"Rating Decline" means in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control Triggering Event and (y) a public notice of the occurrence of a Change of Control Triggering Event or of the intention by the Company or any other Person or Persons to effect a Change of Control Triggering Event the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

- (a) in the event the Notes are rated by all three of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three Rating Agencies shall be below Investment Grade;

- (b) in the event the Notes are rated by any two, but not all three, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any of such two Rating Agencies shall be below Investment Grade;
- (c) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or
- (d) in the event the Notes are rated by three or less than three Rating Agencies and are rated below Investment Grade by all such Rating Agencies on the Rating Date, the rating of the Notes by any Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

“Receivable Financing” means any financing transaction or series of financing transactions that have been or may be entered into by the Company or any Restricted Subsidiary pursuant to which the Company or any Restricted Subsidiary may sell, convey or otherwise transfer to another Person, or may grant a security interest in, any of its receivables, mortgages, royalty, other revenue streams, assets or interests therein (including without limitation, all security interests in goods financed thereby (including equipment and property), the proceeds of such receivables, and other assets which are customarily sold or in respect of which security interests are customarily granted in connection with securitization or factoring transactions involving such assets) for credit or liquidity management purposes (including discounting, securitization or factoring transactions) either (i) in the ordinary course of business or (ii) by way of selling securities by such other Person that are, or are capable of being, listed on any stock exchange or in any securities market and are offered using an offering memorandum or similar offering document.

“Receivable Financing Assets” means assets that are underlying and are sold, conveyed or otherwise transferred or pledged in a Receivable Financing.

“Reference Treasury Dealer” means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 5:00 p.m. (New York City time) on the third Business Day preceding such redemption date.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“S&P” means Standard & Poor’s Ratings Services and its affiliates.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

“Securities Act” means the U.S. Securities Act of 1933, as amended.

“Securitization Fees” means distributions or payments made directly or by means of discounts with respect to any Receivable Financing Asset or participation interest therein issued or sold in connection with and other fees paid to a Person that is not a Restricted Subsidiary in connection with any Receivable Financing.

“Senior Indebtedness” of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee, or (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; *provided* that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

“Significant Subsidiary” means a Restricted Subsidiary, when consolidated with its Restricted Subsidiaries, that would be a “significant subsidiary” using the conditions specified in the definition of significant subsidiary in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the U.S. Securities Act, as such Regulation is in effect on the date of the Indenture, if any of the conditions exceeds 5%.

“Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Subordinated Indebtedness” means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subordinated Shareholder Loan” means any unsecured Indebtedness for borrowed money Incurred by the Company or any Restricted Subsidiary from but only so long as such Indebtedness is owed to any Permitted Holder which (i) is expressly made subordinate to the prior payment in full of the Notes, by its terms or by the terms of any agreement or instrument pursuant to which such Indebtedness is issued, created or remains outstanding, with respect to the payment of principal and any other payment obligations in respect of such Indebtedness, (ii) by its terms (and by the terms of any security into which it is convertible or for which it is exchangeable) does not mature and is not required to be repaid, redeemed, repurchased or otherwise retired, pursuant to a sinking fund obligation, event of default or otherwise, in whole or in part, on or prior to the date that is one year after the Stated Maturity of the Notes and (iii) by its terms, does not provide for any cash payment of interest (or premium, if any).

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and, in each case of (i) and (ii) which is “controlled” and consolidated by such Person in accordance with GAAP; *provided, however*, that with respect to clause (ii), the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be “controlled” by such Person under the GAAP and to constitute a Subsidiary of such Person shall be deemed to be an Investment by such Person in such entity.

“Subsidiary Guarantee” means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided* that Subsidiary Guarantor will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, the United Kingdom, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, the United Kingdom, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing, in each case maturing within one year, which in the case of obligations of, or obligations Guaranteed by, the United Kingdom, any state of the European Economic Area, shall be rated at least “A” by S&P, Moody’s or Fitch;

- (2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, the United Kingdom, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P or Fitch;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P, Moody’s or Fitch;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;
- (7) demand or time deposit accounts, certificates of deposit, overnight or call deposits, money market deposits with any bank, trust company or financial institution organized under the laws of the PRC, Hong Kong or any other jurisdiction where the Company or any Restricted Subsidiary conducts business; and
- (8) structured deposit products that are principal protected with any bank or financial institution organized under the laws of the PRC, Hong Kong or anywhere the Company or any Restricted Subsidiary conducts business operations if held to maturity (which shall not be more than one year) and can be withdrawn at any time with no more than six months’ notice.

“Total Assets” means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided that*:

- (1) only with respect to clause (2)(h) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant and the definition of “Permitted Subsidiary Indebtedness,” Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness;
- (2) only with respect to clause (2)(t) of the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant, with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving pro forma effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Company as a result of such Person becoming a Restricted Subsidiary; and

- (3) only with respect to any Person becoming a New Non-Guarantor Subsidiary, pro forma effect shall at such time be given to the consolidated assets of such New Non-Guarantor Subsidiary (including giving pro forma effect to any other change to the consolidated assets of the Company, in each case as a result of such Person becoming a New Non-Guarantor Subsidiary).

“Trade Payables” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“Transaction Date” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“Trust Company Investor” means an Independent Third Party that is a bank, financial institution, insurance company, trust company, fund management company, asset management company organized under the laws of the PRC, Hong Kong Special Administrative Region, Macau Special Administrative Region or any overseas countries or territories or an Affiliate thereof, that Invests in any Capital Stock of a Restricted Subsidiary.

“Unrestricted Subsidiary” means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

“U.S. Government Obligations” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary.

TAXATION

The following summary of certain Cayman Islands, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this information memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Cayman Islands

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest and principal or premium on the Notes will not be subject to taxation and no withholding will be required on the payment of interest and principal or premium to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands is a party to a double tax treaty entered into with the United Kingdom in 2010 but is otherwise not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the Notes. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands.

The Company has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Governor in Cabinet of the Cayman Islands as to tax concessions under the Tax Concessions Law (1999 Revision). In accordance with the provision of section 6 of The Tax Concessions Law (1999 Revision), the Governor in Cabinet undertakes with the Company:

- That no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable, on or in respect of the shares, debentures or other obligations of the Company, or by way of the withholding, in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

These concessions shall be for a period of twenty years from September 19, 2017.

BVI

No income, capital gain, estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to any debt obligations of the Company. There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to payments the Company may make under the transaction documents relating to the Notes or payments the Subsidiary Guarantors may make under the Subsidiary Guarantees.

Hong Kong

Withholding Tax. No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Notes) or interest in respect of the Notes. **Profits Tax.** Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business. Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance"), as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty. No Hong Kong stamp duty will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside Hong Kong) of a Note.

PRC Taxation

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, rules and regulations in effect as of the date of this information memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest and Capital Gains. PRC income tax at the rate of 10% (or lower treaty rate, if any) is withheld from interest payable to investors that are “non-resident enterprises” and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant interest income is not effectively connected with the establishment or place of business, to the extent such interest is derived from sources within the PRC. Any gain realized on the transfer of the Notes by such investors is subject to a 10% (or lower treaty rate, if any) PRC income tax if such gain is regarded as income of a “non-resident enterprise” derived from sources within the PRC. As advised by Commerce & Finance Law Offices, our PRC legal counsel, there is uncertainty as to whether we will be treated as a PRC “resident enterprise” for the purpose of the EIT Law. If we are considered a PRC resident enterprise, interest and capital gains realized by non-resident holders of the Notes may be treated as income derived from sources within the PRC and may be subject to PRC withholding tax at the rate of 10% where the holder is an enterprise pursuant to the EIT Law, or subject to PRC individual income tax at the rate of 20% (which in the case of interest may be withheld at source) where the holder is an individual pursuant to PRC individual income tax laws. See “Risk Factors—Risks Relating to Our Business —We may be deemed a PRC resident under the EIT Law and be subject to PRC taxation on our worldwide income” and “Interest payable by us to our foreign investors and gain on sale of our Notes may be subject to withholding taxes under PRC tax laws.”

Stamp duty. No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside the PRC and the issuance and the sale of the Notes is made outside of the PRC) of a Note.

Value Added Tax

On March 23, 2016, the MOF and the SAT issued the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (關於全面推開營業稅改徵增值稅試點的通知) (the “Circular 36”) which confirms that business tax was replaced by value-added tax from May 1, 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, value added tax.

According to Circular 36 Notice, the entities and individuals providing the services within the PRC shall be subject to VAT. The services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. The services subject to value-added tax include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to

the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Notes is likely to be treated as the holders of the Notes providing loans to the Company, which thus shall be regarded as financial services subject to the value-added tax.

It is not clear from the interpretation of Circular 36 if the provision of loans to the Company could be considered services provided within the PRC, which could be regarded as the provision of financial services that could be subject to VAT. Furthermore, there is no assurance that the Company will not be treated as "resident enterprises" under the EIT Law. PRC tax authorities could take the view that the holders of the Notes are providing loans within the PRC because the Company is treated as a PRC tax resident. In such case, the issuance of the Notes could be regarded as the provision of financial services within the PRC that is subject to VAT.

If the Company is treated as a PRC tax resident and if PRC tax authorities take the view that the holders of the Notes are providing loans within the PRC, the holders of the Notes shall be subject to the value-added tax at the rate of 6% when receiving the interest payments under the Notes. In addition, the holders of the Notes shall be subject to the local levies at approximately 12% of the value-added tax payment and consequently, the combined rate of value-added tax and local levies would be around 6.72%. Given that the Company pays interest income to the holders of the Notes who are located outside of the PRC, the Company, acting as the obligatory withholder in accordance with applicable law, shall withhold the value-added tax and local levies from the payment of interest income to holders of the Notes who are located outside of the PRC. Further, the payments of the interest and other interest like earnings may be subject to VAT in the event that the Guarantor is required to discharge its obligations under the Guarantee.

Where a holder of the Notes who is an entity or individual located outside of the PRC resells the Notes to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Company does not have the obligation to withhold the value-added tax or the local levies. However, there is uncertainty as to the applicability of value-added tax if either the seller or buyer of Notes is located inside the PRC.

Given Circular 36 has been issued quite recently, the above statement may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. Accordingly, there is uncertainty as to the application of Circular 36.

TRANSFER RESTRICTIONS

Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Notes, including the Subsidiary Guarantees (collectively, the “Securities”).

The Notes are subject to restrictions on transfer as summarized below. By purchasing the Securities, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us:

1. You understand and acknowledge that:
 - the Securities have not been registered under the Securities Act or any other applicable securities laws;
 - the Securities are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;
 - the Securities are being offered and sold only outside the United States in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and
 - unless so registered, the Securities may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws.
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that you are purchasing the Securities in an offshore transaction in accordance with Regulation S.
3. You acknowledge that neither we nor any person representing us has made any representation to you with respect to us or the offering of the Securities, other than the information contained in this information memorandum. You represent that you are relying only on this information memorandum in making your investment decision with respect to the Securities. You agree that you have had access to such financial and other information concerning us and the Securities as you have deemed necessary in connection with your decision to purchase the Securities including an opportunity to ask questions of and request information from us.
4. You represent that you are purchasing the Securities for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Securities in violation of the Securities Act.
5. You also acknowledge that each note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.
6. You acknowledge that we, the Trustee, the Agents and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Securities is no longer accurate, you will promptly notify us. If you are purchasing any Securities as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

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

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

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

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Sidley Austin as to matters of United States federal and New York law and Hong Kong law, Commerce & Finance Law Offices as to matters of PRC law, Walkers as to matters of Cayman Islands law and British Virgin Islands law.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements as of and for the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 included in this information memorandum have been audited by Ernest & Young, certified public accountants, as stated in their reports appearing herein.

GENERAL INFORMATION

Consents

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands and Hong Kong in connection with the issue and performance of the Notes and the Subsidiary Guarantees. The entering into of the Indenture and the issue of the Notes have been authorized by a resolution of our board of directors dated May 2, 2018.

Litigation

Except as disclosed in this information memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Notes.

No Material Adverse Change

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, 2017 that is material in the context of the issue of the Notes.

Documents Available

For so long as any of the Notes is outstanding, copies of the Indenture may be inspected free of charge during normal business hours on any weekday (except public holidays) at the corporate trust office of the Trustee.

Clearing Systems and Settlement

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

	<u>ISIN</u>	<u>Common Code</u>
Notes	XS1816200643	181620064

Listing of the Notes

Application will be made to the SGX-ST for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and the listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or any other subsidiary or associated company of the Company, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US\$200,000. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a global certificate is exchanged for definitive notes, we will appoint and maintain a paying agent in Singapore where the Notes may be presented or surrendered for payment or redemption. In addition, in the event that a global certificate is exchanged for definitive notes, an announcement of such exchange will be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive notes, including details of the paying agent in Singapore.

INDEX TO FINANCIAL STATEMENTS

Audited financial information as of and for the year ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 ⁽¹⁾

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Consolidated Income Statement	F-2	I-4
Consolidated Balance Sheet	F-3	I-6
Consolidated Statement of Changes in Equity	F-4	I-8
Consolidated Statement of Cash Flows	F-6	I-11
Notes to the Consolidated Financial Statements	F-9	I-16

Note:

- (1) The attached accountants' report on our consolidated financial information as of and for the year ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 is a reproduction of Appendix I to the prospectus for our initial public offering dated December 28, 2017.

I HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended December 31,			Six months ended June 30,	
		2014 RMB'000	2015 RMB'000	2016 RMB'000	2016 RMB'000 (unaudited)	2017 RMB'000
REVENUE	5	3,039,559	4,310,180	14,603,520	5,404,538	8,085,246
Cost of sales		(2,370,938)	(3,300,201)	(11,433,831)	(3,961,566)	(6,399,933)
GROSS PROFIT		668,621	1,009,979	3,169,689	1,442,972	1,685,313
Other income and gains	5	11,909	15,165	48,642	16,598	63,747
Selling and distribution expenses		(332,233)	(557,720)	(587,476)	(237,912)	(284,894)
Administrative expenses		(295,882)	(342,783)	(477,292)	(211,582)	(263,840)
Other expenses		(31,889)	(18,698)	(19,528)	(11,647)	(9,529)
Fair value gains on investment properties	14	585,056	772,829	594,150	425,696	49,555
Finance costs	7	(181,349)	(78,868)	(356,072)	(203,516)	(251,657)
Share of losses of:						
Joint ventures		—	—	(7,205)	(811)	(17,927)
An associate		—	—	—	—	(214)
PROFIT BEFORE TAX	6	424,233	799,904	2,364,908	1,219,798	970,554
Income tax expense	10	(344,132)	(380,965)	(1,121,686)	(660,623)	(593,965)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/ PERIOD		<u>80,101</u>	<u>418,939</u>	<u>1,243,222</u>	<u>559,175</u>	<u>376,589</u>
Attributable to:						
Owners of the parent		53,359	418,737	1,183,256	573,294	309,120
Non-controlling interests		26,742	202	59,966	(14,119)	67,469
		<u>80,101</u>	<u>418,939</u>	<u>1,243,222</u>	<u>559,175</u>	<u>376,589</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted	12	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	December 31,			June 30,
		2014	2015	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	60,648	51,300	50,194	47,319
Investment properties	14	3,113,590	4,785,880	7,421,860	7,788,090
Prepaid land lease payments	15	1,038,852	1,008,767	387,435	387,435
Other intangible assets	16	4,170	5,356	5,238	4,652
Investments in joint ventures	17	—	—	46,894	1,268,569
Investment in an associate	18	—	—	—	11,226
Available-for-sale investments	20	—	—	—	508,578
Deferred tax assets	19	180,140	566,597	821,090	921,678
Total non-current assets		<u>4,397,400</u>	<u>6,417,900</u>	<u>8,732,711</u>	<u>10,937,547</u>
CURRENT ASSETS					
Available-for-sale investments	20	1,530	1,438,020	—	—
Properties under development	21	27,714,867	39,512,885	37,524,366	43,085,702
Completed properties held for sale	22	1,029,833	2,564,430	9,526,678	10,923,322
Trade receivables	23	13,985	4,038	10,205	21,188
Due from related companies	38	15,217	2,122,047	1,462,879	1,709,202
Due from a shareholder	38	—	—	8,210	10,973
Prepaid land lease payments	15	5,989,700	86,564	6,941,396	6,064,715
Prepayments, deposits and other receivables	24	2,423,495	2,090,669	3,091,874	8,690,159
Tax recoverable		304,580	509,298	953,569	1,052,368
Restricted cash	25	275,949	1,726,115	2,984,436	3,819,566
Pledged deposits	25	335,545	519,007	832,654	758,334
Cash and cash equivalents	25	1,025,792	2,530,727	14,689,689	7,360,643
Total current assets		<u>39,130,493</u>	<u>53,103,800</u>	<u>78,025,956</u>	<u>83,496,172</u>
CURRENT LIABILITIES					
Trade and bills payables	26	2,231,161	4,517,130	5,506,441	4,965,027
Other payables, deposits received and accruals	27	736,096	810,745	968,033	2,896,446
Advances from customers	28	6,936,543	21,334,102	32,612,783	36,549,900
Due to related companies	38	1,177,634	144,240	7,648	281,979
Due to shareholders	38	93,192	94,192	79,856	79,856
Interest-bearing bank and other borrowings	29	13,793,224	9,411,467	10,319,155	14,264,378
Tax payable	10	247,457	479,781	1,011,813	1,101,745
Total current liabilities		<u>25,215,307</u>	<u>36,791,657</u>	<u>50,505,729</u>	<u>60,139,331</u>
NET CURRENT ASSETS		<u>13,915,186</u>	<u>16,312,143</u>	<u>27,520,227</u>	<u>23,356,841</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		<u>18,312,586</u>	<u>22,730,043</u>	<u>36,252,938</u>	<u>34,294,388</u>
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	29	16,387,264	15,946,888	24,714,906	22,149,479
Corporate bond	30	—	—	1,988,777	2,058,885
Deferred tax liabilities	19	252,874	472,593	559,324	545,404
Total non-current liabilities		<u>16,640,138</u>	<u>16,419,481</u>	<u>27,263,007</u>	<u>24,753,768</u>
NET ASSETS		<u>1,672,448</u>	<u>6,310,562</u>	<u>8,989,931</u>	<u>9,540,620</u>
EQUITY					
Equity attributable to owners of the parent					
Share capital	31	—	—	—	—
Reserves	32	1,560,796	6,149,013	7,974,754	8,375,599
		<u>1,560,796</u>	<u>6,149,013</u>	<u>7,974,754</u>	<u>8,375,599</u>
Non-controlling interests		111,652	161,549	1,015,177	1,165,021
TOTAL EQUITY		<u>1,672,448</u>	<u>6,310,562</u>	<u>8,989,931</u>	<u>9,540,620</u>

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent							
	Share capital	Merger reserve	Capital reserve	Statutory surplus reserves	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 <i>Note 31</i>	RMB'000 <i>Note 32(c)</i>	RMB'000 <i>Note 32(a)</i>	RMB'000 <i>Note 32(b)</i>	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2014	—	982,980	—	53,034	146,523	1,182,537	74,910	1,257,447
Capital contribution by the then equity holders of subsidiaries	—	333,900	—	—	—	333,900	—	333,900
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	10,000	10,000
Acquisition of a subsidiary by the Group from the then equity holder of a subsidiary	—	(9,000)	—	—	—	(9,000)	—	(9,000)
Profit and total comprehensive income for the year	—	—	—	—	53,359	53,359	26,742	80,101
Appropriations to statutory surplus reserves	—	—	—	31,485	(31,485)	—	—	—
As at December 31, 2014 and January 1, 2015	—	1,307,880*	—*	84,519*	168,397*	1,560,796	111,652	1,672,448
Capital contribution by the then equity holders of subsidiaries	—	3,683,890	—	—	—	3,683,890	—	3,683,890
Capital contribution by the then equity holders through debt-to-equity swap arrangement (<i>Note 38(vi)</i>)	—	630,000	—	—	—	630,000	—	630,000
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	57,050	57,050
Acquisition of subsidiaries by the Group from the then equity holders of the subsidiaries	—	(144,410)	—	—	—	(144,410)	—	(144,410)
Disposal of a subsidiary	—	—	—	—	—	—	(7,355)	(7,355)
Profit and total comprehensive income for the year	—	—	—	—	418,737	418,737	202	418,939
Appropriations to statutory surplus reserves	—	—	—	19,253	(19,253)	—	—	—
As at December 31, 2015 and January 1, 2016	—	5,477,360*	—	103,772*	567,881*	6,149,013	161,549	6,310,562
Capital contribution from non-controlling shareholders of subsidiaries	—	—	666,028	—	—	666,028	824,372	1,490,400
Acquisition of non-controlling interests	—	—	(23,543)	—	—	(23,543)	(15,457)	(39,000)
Dividends paid to a non-controlling shareholder of the subsidiary	—	—	—	—	—	—	(15,253)	(15,253)
Profit and total comprehensive income for the year	—	—	—	—	1,183,256	1,183,256	59,966	1,243,222
Appropriations to statutory surplus reserves	—	—	—	100,263	(100,263)	—	—	—
As at December 31, 2016 and January 1, 2017	—	5,477,360*	642,485*	204,035*	1,650,874*	7,974,754	1,015,177	8,989,931
Capital contribution from non-controlling shareholders of subsidiaries	—	—	140,062	—	—	140,062	384,038	524,100
Acquisition of non-controlling interests	—	—	(48,337)	—	—	(48,337)	(301,663)	(350,000)
Profit and total comprehensive income for the period	—	—	—	—	309,120	309,120	67,469	376,589
As at June 30, 2017	—	5,477,360*	734,210*	204,035*	1,959,994*	8,375,599	1,165,021	9,540,620

* These reserve accounts represent the total combined reserves of RMB1,560,796,000, RMB6,149,013,000, RMB7,974,754,000 and RMB8,375,599,000 in the combined statements of financial position as at December 31, 2014, 2015 and 2016 and June 30, 2017, respectively.

Attributable to owners of the parent

	Share capital RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Statutory surplus reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
As at January 1, 2016	—	5,477,360	—	103,772	567,881	6,149,013	161,549	6,310,562
Capital contribution from non-controlling shareholders of subsidiaries (unaudited) ..	—	—	—	—	—	—	20,000	20,000
Profit and total comprehensive income for the period (unaudited)	—	—	—	—	573,294	573,294	(14,119)	559,175
As at June 30, 2016 (unaudited)	—	5,477,360	—	103,772	1,141,175	6,722,307	167,430	6,889,737

COMBINED STATEMENTS OF CASH FLOWS

Notes	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	424,233	799,904	2,364,908	1,219,798	970,554
Adjustments for:					
Depreciation of items of property, plant and equipment	6&13 16,379	22,412	21,944	11,723	12,016
Amortization of other intangible assets	6&16 183	1,288	1,808	859	1,178
(Gain)/loss on disposal of items of property, plant and equipment	5&6 (98)	8	(826)	93	(305)
Gain on disposal of a subsidiary	5&34 —	(434)	—	—	—
Share of losses of joint ventures	—	—	7,205	811	17,927
Share of losses of an associate	—	—	—	—	214
Fair value gains on investment properties	14 (585,056)	(772,829)	(594,150)	(425,696)	(49,555)
Impairment losses recognized for properties under development	6&21 266,605	107,205	19,747	18,373	35,625
Impairment losses write-off	22 (18,758)	(4,800)	(269,403)	(219,581)	(6,082)
Finance costs	7 181,349	78,868	356,072	203,516	251,657
Interest income	5 (7,077)	(9,716)	(36,538)	(9,881)	(58,288)
Increase in properties under development and completed properties held for sale	(16,230,749)	(9,894,822)	(3,065,103)	(1,499,547)	(5,776,319)
Decrease/(increase) in prepaid land lease payments	(4,656,008)	5,933,221	(6,233,500)	(966,570)	876,681
(Increase)/decrease in restricted cash	1,598,463	(1,450,166)	(1,258,321)	(848,839)	(835,130)
Decrease/(increase) in pledged deposits	(159,252)	(184,019)	(275,827)	(527,972)	36,500
(Increase)/decrease in trade receivables	7,862	9,947	(6,167)	(6,990)	(10,983)
(Increase)/decrease in prepayments, deposits and other receivables	5,544,838	245,670	(1,001,205)	(4,122,655)	(5,598,285)
(Increase)/decrease in amounts due from related companies	(13,879)	3,224	1,165	2,038	(1,370)
(Decrease)/increase in trade and bills payables	978,309	2,067,375	1,024,379	535,083	(517,058)
Increase in other payables, deposits received and accruals	25,788	132,717	170,053	208,362	1,942,713
Increase in advances from customers	2,666,773	14,397,559	11,278,681	7,234,298	3,937,117
Increase/(decrease) in amounts due to related companies	(824)	4,204	(1,814)	1,984	11,972
Cash (used in)/generated from operations	(9,960,919)	11,486,816	2,503,108	809,207	(4,759,221)
Interest received	5 7,077	9,716	36,538	9,881	58,288
Interest paid	(3,045,852)	(3,619,691)	(2,997,876)	(1,374,816)	(1,387,053)
Tax paid	(332,508)	(520,097)	(1,201,687)	(709,112)	(717,340)
Net cash flows (used in)/from operating activities	(13,332,202)	7,356,744	(1,659,917)	(1,264,840)	(6,805,326)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment	(40,645)	(13,639)	(22,156)	(15,367)	(9,743)
Purchase of other intangible assets	(4,239)	(2,474)	(1,690)	(31)	(592)
Purchase in investment properties	(1,230,883)	(680,867)	(1,094,941)	(342,860)	(341,031)
Acquisition of available-for-sale investments	(1,530)	(1,438,000)	—	—	(508,578)
Disposal of a subsidiary	34 —	22,451	—	—	—
Disposal of available-for-sale investments	500	1,510	1,438,020	1,438,020	—
Investments in joint ventures	—	—	(55,000)	(30,000)	(1,239,602)
Investment in an associate	—	—	—	—	(11,440)
Disposal of items of property, plant and equipment	788	557	2,144	261	907
Net cash flows (used in)/from investing activities	(1,276,009)	(2,110,462)	266,377	1,050,023	(2,110,079)
CASH FLOWS FROM FINANCING ACTIVITIES					
Capital contribution by the then equity holders of subsidiaries	333,900	3,683,890	—	—	—
Capital contribution from non-controlling shareholders of the subsidiaries	10,000	57,050	1,490,400	20,000	524,100
Dividends paid to a non-controlling shareholder of a subsidiary	—	—	(15,253)	—	—
Acquisition of subsidiaries by the Group from the then equity holders of the subsidiaries	(9,000)	(144,410)	—	—	—

Notes	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Acquisition of non-controlling interests of subsidiaries	—	—	(19,000)	—	(370,000)
Advance from a shareholder	33 5,000	1,000	—	—	—
Repayment of advance from a shareholder	33 (1,236)	—	(14,336)	—	—
Advances from related companies	33 16,981,462	30,113,832	26,763,842	6,510,082	262,359
Repayment of advances from related companies	33 (18,062,709)	(30,521,079)	(26,898,620)	(6,474,089)	—
Advance to a shareholder	—	—	(8,210)	(6,526)	(2,763)
Repayment of advances to related companies	—	3,345,299	11,665,210	2,353,478	2,176,553
Advances to related companies	—	(5,455,353)	(11,007,207)	(919,892)	(2,421,506)
Decrease/(increase) in pledged deposits	(557)	557	(37,820)	(475,111)	37,820
Proceeds from interest-bearing bank and other borrowings	33 19,657,035	17,975,880	39,229,121	21,657,544	14,861,219
Repayment of interest-bearing bank and other borrowings	33 (4,383,021)	(22,798,013)	(29,553,415)	(12,447,392)	(13,481,423)
Proceeds from the issuance of corporate bond	33 —	—	1,957,790	—	—
Net cash flows from/(used in) financing activities	14,530,874	(3,741,347)	13,552,502	10,218,094	1,586,359
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(77,337)	1,504,935	12,158,962	10,003,277	(7,329,046)
Cash and cash equivalents at beginning of year/period	1,103,129	1,025,792	2,530,727	2,530,727	14,689,689
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	1,025,792	2,530,727	14,689,689	12,534,004	7,360,643
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	25 1,637,286	4,775,849	18,506,779	16,631,048	11,938,543
Less: Restricted cash	25 275,949	1,726,115	2,984,436	2,574,954	3,819,566
Pledged deposits	25 335,545	519,007	832,654	1,522,090	758,334
CASH AND CASH EQUIVALENTS AS STATED IN THE COMBINED STATEMENTS OF FINANCIAL POSITION AND STATEMENTS OF CASH FLOWS	1,025,792	2,530,727	14,689,689	12,534,004	7,360,643

STATEMENTS OF FINANCIAL POSITION

	December 31,			June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
CURRENT ASSETS	—	—	—	—
Due from a related party	—	—	—	—
Total current assets	—	—	—	—
NET CURRENT ASSETS	—	—	—	—
TOTAL ASSETS LESS CURRENT LIABILITIES	—	—	—	—
NET ASSETS	—	—	—	—
EQUITY				
Share capital	—	—	—	—
Reserves	—	—	—	—
TOTAL EQUITY	—	—	—	—

Note: Except for the issuance of shares, the Company had no transactions during the Relevant Periods.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Walkers Corporate Limited, Cayman Corporate Center, 27 Hospital Road, George Town, Grand Cayman, KY1-9008, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the subsidiaries now comprising the Group were involved in property development, property leasing and commercial property management. In the opinion of the directors, the immediate holding company of the Company is RoYue Limited. The controlling shareholders of the Group includes Mr. Ou Zongrong, Mr. Ou Guoqiang and Mr. Ou Guowei (collectively referred to as the “Controlling Shareholders”).

The Company and its subsidiaries now comprising the Group underwent the Reorganization which was completed on August 24, 2017 as set out in the paragraph headed “The Corporate Restructuring” and “The Reorganization” in “Our History and Reorganization”.

As at the date of this report, the Company had direct or indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Subsidiaries	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
Directly held:					
Zhenro International Limited (“Zhenro International”)	(1)	British Virgin Islands/ July 23, 2014	US\$0.01	100%	Investment holding
Blooming Force Limited (“Blooming Force”)	(1)	British Virgin Islands/ October 2, 2015	US\$1	100%	Investment holding
Indirectly held:					
Zhenro Hong Kong Limited (“Zhenro HK”)	(1)	Hong Kong/ October 9, 2014	HK\$1	100%	Investment holding
Sheen Billion Investment Limited (“Sheen Billion”)	(1)	Hong Kong/ September 18, 2013	HK\$1	100%	Investment holding
福州匯衡貿易有限公司 Fuzhou Huiheng Trading Co., Ltd. (“Fuzhou Huiheng”)*	(1)	People’s Republic of China (“PRC”)/ Mainland China/ July 28, 2017	RMB10,000,000	100%	Investment holding
True Dragon (Singapore) Pte. Ltd. (“True Dragon”)	(1)	Singapore/ September 3, 2002	SGD100	100%	Investment holding
福州豐澤威實業有限公司 Fuzhou Fengzewe Industrial Co., Ltd. (“Fuzhou Fengzewe”)**	(1)	PRC/Mainland China/ June 12, 2017	RMB1,000,000,000	100%	Investment holding
福州華策企業管理有限公司 Fuzhou Huace Enterprise Management Co., Ltd. (“Fuzhou Huace”)**	(1)	PRC/Mainland China/ June 15, 2017	RMB200,000,000	100%	Investment holding
福州駿泰商業管理有限公司 Fuzhou Juntai Commercial Management Co., Ltd. (“Fuzhou Juntai”) **	(1)	PRC/Mainland China/ June 16, 2017	RMB800,000,000	100%	Investment holding
正榮御品(上海)置業發展有限公司 Zhenro Yupin (Shanghai) Real Estate Development Co., Ltd. (“Shanghai Yupin”)**	(1)	PRC/Mainland China/ November 12, 2013	RMB100,000,000	100%	Property development and property leasing

Subsidiaries	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
正榮御園(上海)置業發展有限公司 Zhenro Yuyuan (Shanghai) Real Estate Development Co., Ltd. ("Shanghai Yuyuan")**	(1)	PRC/Mainland China/ April 17, 2013	RMB100,000,000	100%	Property development
正榮御天(上海)置業發展有限公司 Zhenro Yutian (Shanghai) Real Estate Development Co., Ltd. ("Shanghai Yutian")**	(1)	PRC/Mainland China/ March 14, 2014	RMB50,000,000	100%	Property development and property leasing
正榮御楓(上海)置業發展有限公司 Zhenro Yufeng (Shanghai) Real Estate Development Co., Ltd. ("Shanghai Yufeng")***	(1)	PRC/Mainland China/ March 13, 2014	RMB325,500,000	90%	Property development
正榮御尊(上海)置業發展有限公司 Zhenro Yuzun (Shanghai) Real Estate Development Co., Ltd. ("Shanghai Yuzun")***	(1)	PRC/Mainland China/ November 13, 2013	RMB50,000,000	90%	Property development
正榮(福建)房地產開發有限公司 Zhenro (Fujian) Property Development Co., Ltd. ("Fujian Property")**	(1)	PRC/Mainland China/ February 14, 2014	RMB50,000,000	100%	Not yet commence operation
正榮商業管理有限公司 Zhenro Commerce Management Co., Ltd. ("Zhenro Commerce")**	(1)	PRC/Mainland China/ May 26, 2014	RMB50,000,000	100%	Commercial property management
正榮(莆田)投資發展有限公司 Zhenro (Putian) Investment Co., Ltd. ("Putian Investment")**	(1)	PRC/Mainland China/ November 15, 2013	RMB100,000,000	100%	Property development
安徽正榮置業發展有限公司 Anhui Zhenro Real Estate Development Co., Ltd. ("Anhui Real Estate")**	(1)	PRC/Mainland China/ June 1, 2016	RMB200,000,000	100%	Not yet commence operation
武漢正榮正泰置業有限公司 Wuhan Zhenro Zhengtai Real Estate Co., Ltd. ("Wuhan Zhengtai")**	(1)	PRC/Mainland China/ May 31, 2016	RMB50,000,000	100%	Property development
正榮正興(蘇州)投資有限公司 Zhenro Zhengxing (Suzhou) Investment Co., Ltd. ("Suzhou Zhengxing")**	(1)	PRC/Mainland China/ May 5, 2016	RMB50,000,000	100%	Not yet commence operation
正榮(上海)房地產開發有限公司 Zhenro (Shanghai) Property Development Co., Ltd. ("Shanghai Property")**	(1)	PRC/Mainland China/ May 20, 2016	RMB50,000,000	100%	Not yet commence operation
南昌正榮正創置業有限公司 Nanchang Zhenro Zhengchuang Real Estate Co., Ltd. ("Nanchang Zhengchuang")**	(1)	PRC/Mainland China/ July 18, 2016	RMB50,000,000	100%	Property development
南昌正榮正興置業有限公司 Nanchang Zhenro Zhengxing Real Estate Development Co., Ltd. ("Nanchang Zhenro Zhengxing")**	(1)	PRC/Mainland China/ August 1, 2016	RMB50,000,000	100%	Property development
正榮正豐(上海)房地產開發有限公司 Zhenro Zhengfeng (Shanghai) Property Development Co., Ltd. ("Zhenro Zhengfeng")**	(1)	PRC/Mainland China/ September 19, 2016	RMB50,000,000	100%	Not yet commence operation

Subsidiaries	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
正榮正茂(蘇州)投資有限公司 Zhenro Zhengmao (Suzhou) Investment Co., Ltd. (“Zhenro Zhengmao”)**	(1)	PRC/Mainland China/ October 28, 2016	RMB100,000,000	100%	Property development
正榮正泰(蘇州)投資有限公司 Zhenro Zhengtai (Suzhou) Investment Co., Ltd. (“Zhenro Zhengtai”)**	(1)	PRC/Mainland China/ November 25, 2016	RMB100,000,000	100%	Not yet commence operation
正榮正創(武漢)置業發展有限公司 Zhenro Zhengchuang (Wuhan) Real Estate Development Co., Ltd. (“Zhenro Zhengchuang”)**	(1)	PRC/Mainland China/ July 28, 2016	RMB5,000,000	100%	Not yet commence operation
正榮正宏(上海)置業發展有限公司 Zhenro Zhenghong (Shanghai) Real Estate Development Co., Ltd. (“Zhenro Zhenghong (Shanghai)”)**	(1)	PRC/Mainland China/ November 14, 2016	RMB50,000,000	100%	Not yet commence operation
正榮正興(福州)投資有限公司 Zhenro Zhengxing (Fuzhou) Investment Co., Ltd. (“Zhenro Zhengxing (Fuzhou)”)**	(1)	PRC/Mainland China/ June 12, 2016	RMB50,000,000	100%	Not yet commence operation
福建景恒投資管理有限公司 Fujian Jingheng Investment Co., Ltd. (“Fujian Jingheng”)**	(1)	PRC/Mainland China/ November 7, 2013	RMB10,000,000	100%	Commercial property management
長沙正榮商業管理有限公司 Changsha Zhenro Commerce Management Co., Ltd. (“Changsha Commerce”)**	(1)	PRC/Mainland China/ July 19, 2016	RMB1,000,000	100%	Commercial property management
正榮(莆田)置業發展有限公司 Zhenro (Putian) Real Estate Development Co., Ltd. (“Putian Real Estate”)**	(1)	PRC/Mainland China/ April 18, 2005	RMB100,000,000	100%	Property development and property leasing
正榮(莆田)房地產開發有限公司 Zhenro (Putian) Property Development Co., Ltd. (“Putian Property”)**	(1)	PRC/Mainland China/ November 12, 2010	RMB30,000,000	100%	Property development
正榮財富(福建)置業有限公司 Zhenro Fortune (Fujian) Real Estate Co.,Ltd. (“Putian Fortune Center”)**	(1)	PRC/ Mainland China/ June 4, 2012	RMB100,000,000	100%	Property development and property leasing
正榮(莆田)商業管理有限公司 Zhenro (Putian) Commerce Management Co., Ltd. (“Putian Commerce Management”)**	(1)	PRC/Mainland China/ June 12, 2014	RMB10,000,000	100%	Property management
正榮(長沙)置業有限公司 Zhenro (Changsha) Real Estate Co., Ltd. (“Changsha Real Estate”)**	(1)	PRC/Mainland China/ March 6, 2013	RMB60,000,000	100%	Property development and property leasing
南昌正榮(新加坡)置業有限公司 Nanchang Zhenro (Singapore) Real Estate Co., Ltd. (“Nanchang Real Estate”)**	(1)	PRC/Mainland China/ November 26, 2002	RMB105,000,000	100%	Property development and property leasing
南昌世歐房地產開發有限公司 Nanchang Shiou Properties Development Co., Ltd. (“Nanchang Shiou”)**	(1)	PRC/Mainland China/ November 30, 2007	RMB50,000,000	100%	Property development

Subsidiaries	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
正榮山田正泰(平潭)置業發展有限公司 Zhenro Shantian Zhengtai (Pingtan) Real Estate Development Co., Ltd. ("Zhenro Shantian Zhengtai")** . . .	(1)	PRC/Mainland China/ November 2, 2016	RMB50,000,000	51%	Property development
西安景恒商業物業管理有限公司 Xi' an Jingheng Commercial Property Management Co., Ltd. ("Jingheng Commerce")**	(1)	PRC/Mainland China/ June 24, 2014	RMB500,000	100%	Commercial property management
西安景齊房地產開發有限公司 Xi' an Jingqi Property Development Co., Ltd. ("Xi' an Jingqi")**	(1)	PRC/Mainland China/ February 19, 2016	RMB5,000,000	100%	Property development
福州正榮商業管理有限公司 Fuzhou Zhenro Commerce Management Co., Ltd. ("Fuzhou Commerce")**	(1)	PRC/Mainland China/ June 8, 2016	RMB1,000,000	100%	Commercial property management
正榮玉湖(莆田)開發有限公司 Zhenro Yuhu (Putian) Development Co., Ltd. ("Putian Yuhu")**	(1)	PRC/Mainland China/ January 13, 2016	RMB80,000,000	100%	Property development
西安景域房地產開發有限公司 Xi' an Jingyu Property Development Co., Ltd. ("Xi' an Jingyu")**	(1)	PRC/Mainland China/ June 30, 2016	RMB5,000,000	100%	Not yet commence operation
正榮正宏(莆田)置業發展有限公司 Zhenro Zhenghong (Putian) Real Estate Development Co., Ltd. ("Zhenro Zhenghong Putian")** . . .	(1)	PRC/Mainland China/ September 8, 2016	RMB80,000,000	100%	Property development
湖南秀山麗水置業有限公司 Hunan Xiushan Lishui Real Estate Co., Ltd. ("Hunan Xiushan Lishui")**	(1)	PRC/Mainland China/ November 16, 2005	RMB8,000,000	100%	Property development
南京永拓置業發展有限公司 Nanjing Yongtuo Real Estate Development Co., Ltd. ("Nanjing Yongtuo")**	(1)	PRC/Mainland China/ January 24, 2017	RMB500,000,000	100%	Not yet commence operation
蘇州正瑞置業發展有限公司 Suzhou Zhengrui Real Estate Development Co., Ltd. ("Suzhou Zhengrui Real Estate")**	(1)	PRC/Mainland China/ December 12, 2016	RMB100,000,000	100%	Property development
南昌正榮紅谷投資發展有限公司 Nanchang Zhenro Honggu Investment Co., Ltd. ("Nanchang Honggu")**	(1)	PRC/Mainland China/ November 14, 2013	RMB100,000,000	100%	Property development
南昌正榮新建投資發展有限公司 Nanchang Zhenro Xinjian Investment Co., Ltd. ("Nanchang Xinjian") (Note (a))**	(1)	PRC/Mainland China/ November 5, 2013	RMB50,000,000	100%	Property development
合肥永拓置業發展有限公司 Hefei Yongtuo Real Estate Development Co., Ltd. ("Hefei Yongtuo") (Note (b))***	(1)	PRC/Mainland China/ February 27, 2017	RMB400,000,000	25%	Commercial property management

Subsidiaries	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
合肥正茂置業發展有限公司 Hefei Zhengmao Real Estate Development Co., Ltd. (“Hefei Zhengmao”)**	(1)	PRC/Mainland China/ February 20, 2017	RMB100,000,000	100%	Property development
合肥正裕置業發展有限公司 Hefei Zhengyu Real Estate Development Co., Ltd. (“Hefei Zhengyu”)**	(1)	PRC/Mainland China/ March 10, 2017	RMB100,000,000	100%	Property development
正潤（莆田）置業發展有限公司 Zhengrun (Putian) Real Estate Development Co., Ltd. (“Putian Zhengrun”)**	(1)	PRC/Mainland China/ May 18, 2017	RMB80,000,000	100%	Property development
蘇州正潤房地產開發有限公司 Suzhou Zhengrun Property Development Co., Ltd. (“Suzhou Zhengrun”)**	(1)	PRC/Mainland China/ March 3, 2017	RMB100,000,000	100%	Property development
南昌榮科置業有限公司 Nanchang Rongke Real Estate Development Co., Ltd. (“Nanchang Rongke”)**	(1)	PRC/Mainland China/ April 11, 2017	RMB10,000,000	100%	Not yet commence operation
南昌正榮正升置業有限公司 Nanchang Zhenro Zhengsheng Real Estate Development Co., Ltd. (“Nanchang Zhenro Zhengsheng”)**	(1)	PRC/Mainland China/ September 20, 2016	RMB50,000,000	100%	Not yet commence operation
正升（平潭）置業發展有限公司 Zhengsheng (Pingtan) Real Estate Development Co., Ltd. (“Pingtan Zhengsheng”)**	(1)	PRC/Mainland China/ June 20, 2017	RMB50,000,000	100%	Not yet commence operation
鄭州正榮置業發展有限公司 Zhengzhou Zhenro Real Estate Development Co., Ltd. (“Zhengzhou Real Estate”)**	(1)	PRC/Mainland China/ April 18, 2017	RMB50,000,000	100%	Not yet commence operation
鄭州正萬置業發展有限公司 Zhengzhou Zhengwan Real Estate Development Co., Ltd. (“Zhengzhou Zhengwan”)**	(1)	PRC/Mainland China/ June 6, 2017	RMB10,000,000	100%	Not yet commence operation
鄭州榮裕置業發展有限公司 Zhengzhou Rongyu Real Estate Development Co., Ltd. (“Zhengzhou Rongyu”)**	(1)	PRC/Mainland China/ June 6, 2017	RMB10,000,000	100%	Not yet commence operation
鄭州榮萬置業發展有限公司 Zhengzhou Rongwan Real Estate Development Co., Ltd. (“Zhengzhou Rongwan”)**	(1)	PRC/Mainland China/ June 7, 2017	RMB10,000,000	100%	Not yet commence operation
鄭州榮鼎置業發展有限公司 Zhengzhou Rongding Real Estate Development Co., Ltd. (“Zhengzhou Rongding”)**	(1)	PRC/Mainland China/ June 7, 2017	RMB10,000,000	100%	Not yet commence operation
鄭州正創置業發展有限公司 Zhengzhou Zhengchuang Real Estate Development Co., Ltd. (“Zhengzhou Zhengchuang”)**	(1)	PRC/Mainland China/ June 9, 2017	RMB10,000,000	100%	Not yet commence operation

Subsidiaries	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
鄭州正景置業發展有限公司 Zhengzhou Zhengjing Real Estate Development Co., Ltd. ("Zhengzhou Zhengjing")**	(1)	PRC/Mainland China/ June 14, 2017	RMB10,000,000	100%	Not yet commence operation
鄭州正慶置業發展有限公司 Zhengzhou Zhengqing Real Estate Development Co., Ltd. ("Zhengzhou Zhengqing")**	(1)	PRC/Mainland China/ June 14, 2017	RMB10,000,000	100%	Not yet commence operation
鄭州正啟置業發展有限公司 Zhengzhou Zhengqi Real Estate Development Co., Ltd. ("Zhengzhou Zhengqi")**	(1)	PRC/Mainland China/ June 14, 2017	RMB10,000,000	100%	Not yet commence operation
鄭州正訊置業發展有限公司 Zhengzhou Zhengxun Real Estate Development Co., Ltd. ("Zhengzhou Zhengxun")**	(1)	PRC/Mainland China/ June 14, 2017	RMB10,000,000	100%	Not yet commence operation
鄭州正旺置業發展有限公司 Zhengzhou Zhengwang Real Estate Development Co., Ltd. ("Zhengzhou Zhengwang")**	(1)	PRC/Mainland China/ June 14, 2017	RMB10,000,000	100%	Not yet commence operation
鄭州正馳置業發展有限公司 Zhengzhou Zhengchi Real Estate Development Co., Ltd. ("Zhengzhou Zhengchi")**	(1)	PRC/Mainland China/ June 14, 2017	RMB10,000,000	100%	Not yet commence operation
鄭州正騰置業發展有限公司 Zhengzhou Zhengteng Real Estate Development Co., Ltd. ("Zhengzhou Zhengteng")**	(1)	PRC/Mainland China/ June 14, 2017	RMB10,000,000	100%	Not yet commence operation
西安景恒房地產開發有限公司 Xi'an Jingheng Real Estate Development Co., Ltd. ("Xi'an Jingheng")**	(1)	PRC/Mainland China/ November 27, 2013	RMB50,000,000	100%	Property development and property leasing
正榮(南平)置業發展有限公司 Zhenro (Nanping) Real Estate Development Co., Ltd. ("Nanping Real Estate")***	(2)	PRC/Mainland China/ June 28, 2012	RMB50,000,000	55%	Property development
正榮(閩侯)置業發展有限公司 Zhenro (Minhou) Real Estate Development Co., Ltd. ("Minhou Real Estate")***	(2)	PRC/Mainland China/ February 6, 2012	RMB50,000,000	63%	Property development
正榮(馬尾)置業發展有限公司 Zhenro (Mawei) Real Estate Development Co., Ltd. ("Mawei Real Estate")***	(2)	PRC/Mainland China/ February 21, 2014	RMB80,000,000	62.5%	Property development and property leasing
正榮(福州)置業發展有限公司 Zhenro (Fuzhou) Real Estate Development Co., Ltd. ("Fuzhou Real Estate")**	(2)	PRC/Mainland China / December 14, 2007	RMB50,000,000	100%	Property development
正榮(閩侯)投資發展有限公司 Zhenro (Minhou) Investment Development Co., Ltd. ("Minhou Investment")***	(2)	PRC/Mainland China/ March 6, 2013	RMB50,000,000	85%	Property development and property leasing

Subsidiaries	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
正榮山田(平潭)置業發展有限公司 Zhenro Shantian (Pingtan) Real Estate Development Co., Ltd. ("Pingtan Real Estate")***	(2)	PRC/Mainland China/ November 22, 2013	RMB100,000,000	51%	Property development
南京正榮江濱投資發展有限公司 Nanjing Zhenro Jiangbin Investment Co., Ltd. ("Nanjing Investment")**	(3)	PRC/Mainland China/ October 15, 2013	RMB100,000,000	100%	Property development
南京正榮房地產開發有限公司 Nanjing Zhenro Property Development Co., Ltd. ("Nanjing Property")**	(3)	PRC/Mainland China/ September 27, 2013	RMB100,000,000	100%	Property development
南京正榮置業發展有限公司 Nanjing Zhenro Real Estate Development Co., Ltd. ("Nanjing Real Estate")**	(3)	PRC/Mainland China/ September 11, 2013	RMB110,000,000	100%	Property development
正榮(天津)置業發展有限公司 Zhenro (Tianjin) Real Estate Development Co., Ltd. ("Tianjin Real Estate")**	(4)	PRC/Mainland China/ April 21, 2014	RMB100,000,000	100%	Property development
正榮山田(平潭)投資發展有限公司 Zhenro Shantian (Pingtan) Real Estate Development Co., Ltd. ("Pingtan Investment")***	(5)	PRC/Mainland China/ March 19, 2015	RMB50,000,000	51%	Property development
正榮蘇南(蘇州)置業發展有限公司 Zhenro Sunan (Suzhou) Real Estate Development Co., Ltd. ("Suzhou Real Estate")***	(6)	PRC/Mainland China/ August 12, 2013	RMB159,462,900	62.71%	Property development
正榮集團蘇南(蘇州)投資有限公司 Zhenro Group Sunan (Suzhou) Investment Co., Ltd. ("Suzhou Investment")**	(6)	PRC/Mainland China/ August 7, 2014	RMB100,000,000	100%	Property development
江西省正榮房地產開發有限公司 Jiangxi Zhenro Real Estate Development Co., Ltd. ("Jiangxi Real Estate")**	(7)	PRC/Mainland China/ July 9, 1999	RMB1,000,000,000	100%	Property development
天津正榮榮泰置業發展有限公司 Tianjin Zhenro Rongtai Real Estate Development Co., Ltd. ("Tianjin Rongtai")**	(8)	PRC/Mainland China/ March 29, 2016	RMB50,000,000	100%	Property development
天津正榮正宏置業發展有限公司 Tianjin Zhenro Zhenghong Real Estate Development Co., Ltd. ("Tianjin Zhenghong")**	(8)	PRC/Mainland China/ March 3, 2016	RMB50,000,000	100%	Property development
正榮正興(天津)置業發展有限公司 Zhenro Zhengxing (Tianjin) Real Estate Development Co., Ltd. ("Zhenro Zhengxing")**	(8)	PRC/Mainland China/ August 15, 2016	RMB50,000,000	100%	Property development and property leasing
正榮蘇南(蘇州)房地產有限公司 Zhenro Sunan (Suzhou) Property Co., Ltd. ("Suzhou Property")***	(9)	PRC/Mainland China/ February 12, 2014	RMB98,254,300	51.91%	Property development

Subsidiaries	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
正榮地產控股股份有限公司 Zhenro Property Holdings Company Ltd. (“Zhenro Property Holdings”)**	(10)	PRC/Mainland China/ July 22, 2015	RMB3,450,000,000	100%	Investment holding
南京正榮德信房地產開發有限公司 Nanjing Zhenro Dexin Property Development Co., Ltd. (“Nanjing Dexin”) (Note (a))**	(11)	PRC/Mainland China/ January 22, 2016	RMB100,000,000	100%	Property development and property leasing
南京正榮正升置業發展有限公司 Nanjing Zhenro Zhengsheng Real Estate Development Co., Ltd. (“Nanjing Zhengsheng”)**	(11)	PRC/Mainland China/ April 22, 2016	RMB50,000,000	100%	Not yet commence operation
福州市馬尾區正榮房地產開發有限 公司 Fuzhou Mawei District Zhenro Property Development Co., Ltd. (“Mawei Property”)**	(12)	PRC/Mainland China/ February 24, 2016	RMB60,000,000	100%	Property development
正榮(福州)投資發展有限公司 Zhenro (Fuzhou) Investment Development Co., Ltd. (“Fuzhou Investment”)**	(12)	PRC/Mainland China/ January 6, 2016	RMB50,000,000	100%	Property development
閩侯正榮正升置業發展有限公司 Minhou Zhenro Zhengsheng Real Estate Development Co., Ltd. (“Minhou Zhengsheng”)**	(12)	PRC/Mainland China/ April 20, 2016	RMB50,000,000	80%	Property development
正榮蘇通(蘇州)房地產開發有限公司 Zhenro Sutong (Suzhou) Property Development Co., Ltd. (“Suzhou Sutong”)**	(13)	PRC/Mainland China/ December 3, 2015	RMB50,000,000	80%	Property development
濟南正宏置業有限公司 Jinan Zhenghong Real Estate Co., Ltd. (“Jinan Zhenghong”)**	(1)	PRC/Mainland China/ August 18, 2017	RMB50,000,000	100%	Not yet commence operation
滁州正宏置業發展有限公司 Chuzhou Zhenghong Real Estate Development Co., Ltd (“Chuzhou Zhenghong”)**	(1)	PRC/Mainland China/ August 10, 2017	RMB50,000,000	100%	Not yet commence operation
合肥正華置地發展有限公司 Hefei Zhenghua Real Estate Development Co., Ltd. (“Hefei Zhenghua”)**	(1)	PRC/Mainland China/ August 8, 2017	RMB100,000,000	100%	Not yet commence operation
石獅市正升置業發展有限公司 Shishi Zhengsheng Real Estate. Development Co., Ltd. (“Shishi Zhengsheng”)**	(1)	PRC/Mainland China/ August 2, 2017	RMB50,000,000	100%	Not yet commence operation
蘇州正信置業發展有限公司 Suzhou Zhengxin Real Estate Development Co., Ltd. (“Suzhou Zhengxin”)**	(1)	PRC/Mainland China/ July 1, 2017	RMB17,000,000	100%	Not yet commence operation
蘇州正隆置業發展有限公司 Suzhou Zhenglong Real Estate Development Co., Ltd. (“Suzhou Zhenglong”)**	(1)	PRC/Mainland China/ July 1, 2017	RMB100,000,000	100%	Not yet commence operation

Subsidiaries	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
蘇州正豐置業發展有限公司 Suzhou Zhengfeng Real Estate Development Co., Ltd. (“Suzhou Zhengfeng”)**	(1)	PRC/Mainland China/ July 14, 2017	RMB10,000,000	100%	Not yet commence operation
正茂(平潭)置業發展有限公司 Zhengmao (Pingtan) Real Estate Development Co., Ltd. (“Pingtan Zhengmao”)**	(1)	PRC/Mainland China/ July 18, 2017	RMB50,000,000	75%	Not yet commence operation
西安正榮置業發展有限公司 Xi’an Zhenro Real Estate Development Co., Ltd. (“Xi’an Real Estate”)**	(1)	PRC/Mainland China/ September 14, 2017	RMB5,000,000	100%	Not yet commence operation
徐州正銘置業發展有限公司 Xuzhou Zhengming Real Estate Development Co., Ltd. (“Xuzhou Zhengming”)**	(1)	PRC/Mainland China/ September 27, 2017	RMB20,000,000	100%	Not yet commence operation
濟南榮鼎置業有限公司 Jinan Rongding Real Estate Co., Ltd. (“Jinan Rongding”)**	(1)	PRC/Mainland China/ October 11, 2017	RMB10,000,000	100%	Not yet commence operation
蘇州正利置業有限公司 Suzhou Zhengli Real Estate Co., Ltd. (“Suzhou Zhengli”)**	(1)	PRC/Mainland China/ October 26, 2017	RMB100,000,000	100%	Not yet commence operation
濟南榮璽置業有限公司 Jinan Rongxi Real Estate Co., Ltd. (“Jinan Rongxi”)**	(1)	PRC/Mainland China/ October 30, 2017	RMB10,000,000	100%	Not yet commence operation
山東正榮置業有限公司 Shandong Zhenro Real Estate Co., Ltd. (“Shandong Real Estate”)** ..	(1)	PRC/Mainland China/ October 31, 2017	RMB50,000,000	100%	Not yet commence operation
濟南正馳置業有限公司 Jinan Zhengchi Real Estate Co., Ltd. (“Jinan Zhengchi”)**	(1)	PRC/Mainland China/ November 1, 2017	RMB10,000,000	100%	Not yet commence operation
正泰(福州)置業發展有限公司 Zhengtai (Fuzhou) Real Estate Development Co., Ltd. (“Fuzhou Zhengtai”)**	(1)	PRC/Mainland China/ November 3, 2017	RMB50,000,000	100%	Not yet commence operation
正升(福州)置業發展有限公司 Zhengsheng (Fuzhou) Real Estate Development Co., Ltd. (“Fuzhou Zhengsheng”)**	(1)	PRC/Mainland China/ November 15, 2017	RMB50,000,000	100%	Not yet commence operation
正豐(莆田)置業發展有限公司 Zhengfeng (Putian) Real Estate Development Co., Ltd. (“Putian Zhengfeng”)**	(1)	PRC/Mainland China/ December 7, 2017	RMB80,000,000	100%	Not yet commence operation
濟南正啟置業有限公司 Jinan Zhengqi Real Estate Co., Ltd. (“Jinan Zhengqi”)**	(1)	PRC/Mainland China/ December 7, 2017	RMB10,000,000	100%	Not yet commence operation
榮基(天津)置業發展有限公司 Rongji (Tianjin) Real Estate Development Co., Ltd. (“Tianjin Rongji”)**	(1)	PRC/Mainland China/ December 8, 2017	RMB50,000,000	100%	Not yet commence operation
滁州正景華榮置業發展有限公司 Chuzhou Zhengjing Huarong Real Estate Development Co., Ltd. (“Chuzhou Zhengjing Huarong”)**	(1)	PRC/Mainland China/ December 8, 2017	RMB50,000,000	51%	Not yet commence operation

Subsidiaries	Notes	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
榮泰(福州)置業發展有限公司 Rongtai (Fuzhou) Real Estate Development Co., Ltd. (“Fuzhou Rongtai”)**	(1)	PRC/Mainland China/ December 8, 2017	RMB10,000,000	100%	Not yet commence operation
贛州市正碧置業發展有限公司 Ganzhou Zhengbi Real Estate Development Co., Ltd. (“Ganzhou Zhengbi”)**	(1)	PRC/Mainland China/ December 12, 2017	RMB10,000,000	100%	Not yet commence operation

* Fuzhou Huiheng is registered as a wholly-foreign-owned enterprise under PRC law.

** These companies are wholly-owned subsidiaries of the Company.

*** These companies are subsidiaries of non-wholly-owned subsidiaries of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company having control over it.

The English names of all group companies registered in PRC represent the best efforts made by management of the Company to translate the Chinese names of these companies as they do not have official English names.

- (1) No audited financial statements have been prepared and issued for these entities for the years ended December 31, 2014, 2015 and 2016 as these companies are not subject to any statutory audit requirement under the relevant rules and regulations.
- (2) The statutory financial statements for the years ended December 31, 2014, 2015 and 2016 prepared in accordance with PRC accounting principles and regulations have been audited by Fujian Huada Certified Public Accountants Co., Ltd. (福建華達會計師事務所有限公司), a certified public accounting firm registered in the PRC.
- (3) The statutory financial statements for the years ended December 31, 2014, 2015 and 2016 prepared in accordance with PRC accounting principles and regulations have been audited by Lixin Zhonglian Certified Public Accountants Co., Ltd. (立信中聯會計師事務所(特殊普通合夥)), a certified public accounting firm registered in the PRC.
- (4) The statutory financial statements for the period/years ended December 31, 2014, 2015 and 2016 prepared in accordance with PRC accounting principles and regulations have been audited by Tianjin Jinhai Certified Public Accountants Co., Ltd. (天津津海聯合會計師事務所), Tianjin Henghui Certified Public Accountants Co., Ltd. (天津恒匯聯合會計師事務所(普通合夥)) and Tianjin Hongyuan Certified Public Accountants Co., Ltd. (天津宏源會計師事務所有限公司), respectively, certified public accounting firms registered in the PRC.
- (5) The statutory financial statements for the period ended December 31, 2015 and year ended December 31, 2016 prepared in accordance with PRC accounting principles and regulations have been audited by Fujian Huada Certified Public Accountants Co., Ltd. (福建華達會計師事務所有限公司), a certified public accounting firm registered in the PRC.
- (6) The statutory financial statements for the year ended December 31, 2015 prepared in accordance with PRC accounting principles and regulations have been audited by Suzhou Suheng Certified Public Accountants Co., Ltd. (蘇州蘇恒會計師事務所有限公司), a certified public accounting firm registered in the PRC.
- (7) The statutory financial statements for the years ended December 31, 2015 and 2016 prepared in accordance with PRC accounting principles and regulations have been audited by Fujian Huaxing Certified Public Accountants Co., Ltd. (福建華興會計師事務所(特殊普通合夥)), a certified public accounting firm registered in the PRC.
- (8) The statutory financial statements for the period from their dates of incorporation/establishment to December 31, 2016 prepared in accordance with PRC accounting principles and regulations have been audited by Tianjin Hongyuan Certified Public Accountants Co., Ltd. (天津宏源會計師事務所有限公司), a certified public accounting firm registered in the PRC.
- (9) The statutory financial statements for the years ended December 31, 2015 and 2016 prepared in accordance with PRC accounting principles and regulations have been audited by Suzhou Suheng Certified Public Accountants Co., Ltd. (蘇州蘇恒會計師事務所有限公司), a certified public accounting firm registered in the PRC.
- (10) The statutory financial statements for the period from their dates of incorporation/establishment to December 31, 2016 prepared in accordance with PRC accounting principles and regulations have been audited by Fujian Huaxing Certified Public Accountants Co., Ltd. (福建華興會計師事務所(特殊普通合夥)), a certified public accounting firm registered in the PRC.
- (11) The statutory financial statements for the period from their dates of incorporation/establishment to December 31, 2016 prepared in accordance with PRC accounting principles and regulations have been audited by Lixin Zhonglian Certified Public Accountants Co., Ltd. (立信中聯會計師事務所(特殊普通合夥)), a certified public accounting firm registered in the PRC.

- (12) The statutory financial statements for the period from their dates of incorporation/establishment to December 31, 2016 prepared in accordance with PRC accounting principles and regulations have been audited by Fujian Huada Certified Public Accountants Co., Ltd. (福建華達會計師事務所有限公司), a certified public accounting firm registered in the PRC.
- (13) The statutory financial statements for the period from their dates of incorporation/establishment to December 31, 2016 prepared in accordance with PRC accounting principles and regulations have been audited by Suzhou Suheng Certified Public Accountants Co., Ltd. (蘇州蘇恒會計師事務所有限公司), a certified public accounting firm registered in the PRC.

Note (a): The percentage of attributable equity interests presented is the beneficiary interests held by the Group. The equity interests in these entities legally held by the Group are lower than the beneficiary interests because of the existence of trust financing arrangements.

The Group legally transferred the equity interests in the following subsidiaries as collateral (note 29) to trust financing companies as at June 30, 2017.

	Percentage of equity pledged as at June 30, 2017
Nanjing Dexin	10%
Nanchang Xinjian	39%

Under the afore-stated arrangements, the Group was obliged to purchase at a fixed amount on a future date upon repayment of the borrowings from the trust financing companies.

In addition, the Group retains the power to operate and manage the above project companies in the ordinary course of business. In this regard, considering the facts that the substance of the arrangements is to collateralise some equity interests in these companies for the borrowings for project development and the Group retains the practical ability to govern the financial and operating policies of these project companies so as to obtain benefits from the operating activities of these project companies, the directors of the Company are of the view that the financial position and operating results of these companies should be combined into the Group's financial statements in full, irrespective of the equity transfers from legal perspective.

Note (b): Hefei Yongtuo is accounted for as a subsidiary of the Group because the Group owns 51% of the voting rights according to the articles of association of Hefei Yongtuo.

2.1 BASIS OF PRESENTATION

Pursuant to the Corporate Restructuring and the Reorganization as more fully explained in the paragraph headed "The Corporate Restructuring" and "The Reorganization" in "Our History and Reorganization", the Company became the holding company of the companies now comprising the Group on August 24, 2017. The companies now comprising the Group were under the common control of the Controlling Shareholders before and after the Corporate Restructuring and the Reorganization. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a combined basis by applying the principles of merger accounting as if the Corporate Restructuring and the Reorganization had been completed at the beginning of the Relevant Periods.

The combined statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholders, where this is a shorter period. The combined statements of financial position of the Group as at December 31, 2014, 2015 and 2016 and June 30, 2017 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the Controlling Shareholders' perspective. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Corporate Restructuring and the Reorganization.

Equity interests in subsidiaries held by parties other than the Controlling Shareholders, and changes therein, prior to the Corporate Restructuring and the Reorganization are presented as non-controlling interests in equity in applying the principles of merger accounting.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra-group transactions and balances have been eliminated on combination in full.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”) which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”). All IFRSs effective for the accounting period commencing from January 1, 2017, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for investment properties and available-for-sale investments which have been measured at fair value.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in this Historical Financial Information. The Group intends to adopt them, if applicable, when they become effective.

Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions¹</i>
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts¹</i>
IFRS 9	<i>Financial Instruments¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
IFRS 15	<i>Revenue from Contracts with Customers¹</i>
Amendments to IFRS 15	<i>Clarifications to IFRS 15 Revenue from Contracts with Customer¹</i>
IFRS 16	<i>Leases²</i>
IFRS 17	<i>Insurance Contracts³</i>
Amendments to IAS 40	<i>Transfers of Investment Property¹</i>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration¹</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatment²</i>
<i>Annual Improvements to IFRSs, 2014-2016 Cycle</i>	<i>Amendments to the following standards:</i> <i>- IFRS 1 First-time Adoption of International Financial Reporting Standards¹</i> <i>- IAS 28 Investments in Associates and Joint Ventures¹</i>

¹ Effective for annual periods beginning on or after January 1, 2018

² Effective for annual periods beginning on or after January 1, 2019

³ No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the complete version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyzes or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of IFRS 9 are summarized as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognized.

(b) **Impairment**

IFRS 9 requires an impairment on debt instruments recorded at amortized cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of IFRS 9. The Group does not expect that the adoption of IFRS 9 will have a significant impact on the Group's financial performance and financial position, including the measurement of financial assets and disclosures.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognizing revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgments and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licenses of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard.

The directors of the Company consider that the requirements to recognize revenue under IFRS 15 is similar to the current revenue recognition policy of the Group. Based on the preliminary analysis, they do not expect the initial adoption of IFRS 15 would result in significant impact on the amounts reported on the financial statements of the Group. However, there will be additional qualitative and quantitative disclosure upon the adoption of IFRS 15.

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases - Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40 *Investment Property*. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments.

Lessees will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The directors of the Company consider that the adoption of IFRS 16 will primarily affect the Group's accounting as a lessee of leases which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in profit or loss over the period of the lease. The Group's future aggregate minimum lease payments under non-cancellable operating leases as at June 30, 2017 were RMB64,771,000, with the minimum lease payments due less than one year amounting to RMB37,993,000 and those due more than one year and less than five years amounting to RMB26,778,000. Given that the Group had total assets of RMB94,433,719,000 and total liabilities of RMB84,893,099,000 as at June 30, 2017, the directors of the Company is of the view that the initial adoption of IFRS 16 would not have significant impact on the financial performance and position of the Company.

Amendments to IAS 40 issued in December 2016 clarify the requirements when an entity should transfer a property, including property under construction development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are applied prospectively to change in use that occur on or after the beginning of the annual reporting period in when the entity first applied the amendments. The Group will reassess the classification of property held at January 1, 2018 and, if applicable, reclassify property to reflect the condition that exist at that date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Business combinations other than those under common control combinations and goodwill

Business combinations other than those under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Investments in an associate and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investment in an associate is stated in the combined statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of an associate and joint ventures are included in the combined statements of comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the combined statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where Unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Fair value measurement

The Group measures its investment properties and available-for-sale investments at fair value at the end of each Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a

liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, properties under development, completed properties held for sale and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or

- (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Motor vehicles	19%
Office equipment and electronic devices	19%-32%
Leasehold improvements	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year/period end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year/period the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn

rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of each of the Relevant Periods.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with IAS 16 *Property, Plant and Equipment* up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation and carried in the asset revaluation reserve in equity. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognized in profit or loss.

Transfer to or from investment property

Transfers to or from investment property shall be made when and only when there is a change in use evidenced by:

- (a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- (b) commencement of development with a view to sale, for a transfer from investment property to inventories;
- (c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or
- (d) commencement of an operating lease to another party, for a transfer from inventories to investment property.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realizable value.

Properties under development are classified as current assets unless those will not be realized in normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated in the statements of financial position at the lower of cost and net realizable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realizable value takes into account the price ultimately expected to be realized, less estimated costs to be incurred in selling the properties.

Allocation of property development cost

Land costs are allocated to each unit according to their respective saleable gross floor areas (“GFA”) to the total saleable GFA. Construction costs relating to units were identified and allocated specifically. Common construction costs have been allocated according to the saleable GFA similar to land cost.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year/period end.

Software is stated at cost less any impairment loss and is amortized on the straight-line basis over their estimated useful lives of 3 years.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

Prepaid land lease payments

Prepaid land lease payments, representing prepayments for leasehold land for development for future sale in the ordinary course of business, are stated at lower of cost and net realizable value, of which those within normal operating cycle are classified as current assets, while those out of the normal operating cycle are classified as non-current assets.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognized in accordance with the policies set out for “Revenue recognition” below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of their fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in other income and gains in profit or loss. The loss arising from impairment is recognized in profit or loss in finance cost for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognized in profit or loss as other income in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each of the Relevant Periods whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each Relevant Periods whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is removed from other comprehensive income and recognized in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss — is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of comprehensive income if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, amounts due to shareholders, amounts due to related companies and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each Relevant Periods and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual installments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from the sale of properties in the ordinary course of business is recognized when all the following criteria are met:

- (a) the significant risks and rewards of ownership of the properties are transferred to purchasers;
- (b) neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the properties are retained;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the Group; and
- (e) the cost incurred or to be incurred in respect of the transaction can be measured reliably.

The above criteria for the sale of properties are met when construction of the relevant properties has been completed and the Group has obtained the project completion report issued by the relevant government authorities, the properties have been delivered to the buyers, and the collectability of related receivables is reasonably assured. Payments received on properties sold prior to the date of revenue recognition are included in the combined statements of financial position under current liabilities.

Rental income is recognized on a time proportion basis over the lease terms.

Property management service income derived from the provision of property maintenance and management services is recognized when the relevant services are rendered.

Interest income is recognized, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument of the net carrying amount of the financial asset.

Revenue of the sale of other goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Other employee retirement benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain proportion of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognized as a liabilities when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency because the Group's principal operations are carried out in Mainland China. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

The preparation of the Group's Historical Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and completed properties held for sale

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below:

Provision of properties under development and completed properties held for sale

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realizable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realizable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

PRC corporate income tax (“CIT”)

The Group is subject to corporate income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgment based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realize.

PRC land appreciation tax (“LAT”)

The Group is subject to LAT in the PRC. The provision for LAT is based on management’s best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalized its LAT calculation and payments with the tax authorities for certain of its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realize.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each Relevant Periods. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimate of fair value of investment properties

Investment properties under construction carried at fair value, were revalued at the end of each of the Relevant Period based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each of the Relevant Periods.

The principal assumptions for the Group’s estimation of the fair value include those related to estimated rental values with reference to the current market rents for similar properties in the same location and condition, appropriate capitalization rates and expected profit margin. The carrying amounts of investment properties at December 31, 2014, 2015 and 2016, and June 30, 2017 were RMB3,113,590,000, RMB4,785,880,000, RMB7,421,860,000 and RMB7,788,090,000, respectively.

Deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 19 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes property development and leasing and commercial property management by project locations for the purpose of making decisions about resource allocation and performance assessment, while no single location's revenue, net profit or total assets exceeds 10% of the Group's combined revenue, net profit or total assets. As all the locations have similar economic characteristics and are similar in the nature of property development and leasing and management, the nature of the aforementioned business processes, the type or class of customer for the aforementioned business and the methods used to distribute the properties or provide the services, thus all locations were aggregated as one reportable operating segment.

Geographical information

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in the Mainland China and no non-current assets of the Group are located outside the Mainland China.

Information about major customers

No sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for each of the Relevant Periods.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents income from the sale of properties, property management service income, and rental income during the Relevant Periods.

An analysis of revenue and other income and gains is as follows:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue					
Sale of properties	3,024,343	4,291,373	14,534,660	5,370,917	8,037,186
Rental income	10,661	15,367	49,227	25,229	33,696
Property management service income	2,174	3,440	18,772	8,392	14,364
Others	2,381	—	861	—	—
	<u>3,039,559</u>	<u>4,310,180</u>	<u>14,603,520</u>	<u>5,404,538</u>	<u>8,085,246</u>
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Other income and gains, net					
Gain on disposal of a subsidiary (note 34)	—	434	—	—	—
Gain on disposal of items of property, plant and equipment	144	—	961	19	312
Interest income	7,077	9,716	36,538	9,881	58,288
Forfeiture of deposit	4,373	4,146	8,644	5,138	3,770
Others	315	869	2,499	1,560	1,377
	<u>11,909</u>	<u>15,165</u>	<u>48,642</u>	<u>16,598</u>	<u>63,747</u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended December 31,			Six months ended June 30,	
		2014	2015	2016	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost of inventories sold	22	2,120,780	3,196,019	11,669,971	4,117,371	6,360,485
Impairment loss write-off for completed properties held for sale (Note)		(18,758)	(4,800)	(269,403)	(198,255)	(6,082)
Impairment losses recognized for properties under development	21	266,605	107,205	19,747	18,373	35,625
Depreciation of items of property, Plant and equipment	13	16,379	22,412	21,944	11,723	12,016
Amortization of other intangible assets . . .	16	183	1,288	1,808	859	1,178
Loss on disposal of items of property plant and equipment		46	8	135	112	7
Gain on disposal of a subsidiary	34	—	(434)	—	—	—
Rental expenses		19,283	25,721	26,611	11,967	16,597
Auditors' remuneration		971	1,521	2,398	1,648	2,940
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):						
Wages and salaries		103,802	201,251	289,104	127,708	162,145
Pension scheme contributions and social welfare		27,639	35,465	37,719	17,096	20,835

Note: it is included in cost of sales in the combined statements of comprehensive income.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on bank and other borrowings . . .	3,095,915	3,618,110	2,996,098	1,385,158	1,462,861
Less: Interest capitalized	(2,914,566)	(3,539,242)	(2,640,026)	(1,181,642)	(1,211,204)
	<u>181,349</u>	<u>78,868</u>	<u>356,072</u>	<u>203,516</u>	<u>251,657</u>

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Fees	—	—	—	—	—
Other emoluments:					
Salaries, allowances and benefits in kind . . .	3,468	4,930	5,248	2,599	3,063
Performance-related bonuses*	378	252	378	190	196
Pension scheme contributions and social welfare	244	276	374	156	208
Total	<u>4,090</u>	<u>5,458</u>	<u>6,000</u>	<u>2,945</u>	<u>3,467</u>

* Certain executive directors of the Company are entitled to bonus payments which are determined as a percentage of the profit after tax of the Group.

(a) **Independent non-executive directors**

Mr. LOKE Yu, Mr. Shen Guoquan and Mr. Wang Chuanxu were appointed as independent non-executive directors of the Company on December 15, 2017. There was no emolument payable to the independent non-executive directors during the Relevant Periods.

(b) **Executive directors and non-executive directors**

Year ended December 31, 2014

	<u>Fees</u>	<u>Salaries, allowances and benefits in kind</u>	<u>Performance-related bonuses</u>	<u>Pension scheme contributions and social welfare</u>	<u>Total remuneration</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Executive directors:					
- Mr. Huang Xianzhi	—	1,034	108	60	1,202
- Mr. Lin Zhaoyang	—	1,034	108	60	1,202
	—	2,068	216	120	2,404
Non-executive directors:					
- Mr. Ou Guoqiang	—	800	108	52	960
- Mr. Ou Guowei	—	600	54	72	726
	—	3,468	378	244	4,090

Year ended December 31, 2015

	<u>Fees</u>	<u>Salaries, allowances and benefits in kind</u>	<u>Performance-related bonuses</u>	<u>Pension scheme contributions and social welfare</u>	<u>Total remuneration</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Executive directors:					
- Mr. Huang Xianzhi	—	2,083	18	65	2,166
- Mr. Lin Zhaoyang	—	1,325	72	70	1,467
	—	3,408	90	135	3,633
Non-executive directors:					
- Mr. Ou Guoqiang	—	800	108	63	971
- Mr. Ou Guowei	—	722	54	78	854
	—	4,930	252	276	5,458

Year ended December 31, 2016

	<u>Fees</u>	<u>Salaries, allowances and benefits in kind</u>	<u>Performance-related bonuses</u>	<u>Pension scheme contributions and social welfare</u>	<u>Total remuneration</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Executive directors:					
- Mr. Huang Xianzhi	—	2,250	108	94	2,452
- Mr. Lin Zhaoyang	—	1,475	108	94	1,677
	—	3,725	216	188	4,129
Non-executive directors:					
- Mr. Ou Guoqiang	—	800	108	93	1,001
- Mr. Ou Guowei	—	723	54	93	870
	—	5,248	378	374	6,000

Period ended June 30, 2016 (unaudited)

	Fees	Salaries, allowances and benefits in kind	Performance- related bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Executive directors:					
- Mr. Huang Xianzhi	—	1,124	54	39	1,217
- Mr. Lin Zhaoyang	—	713	54	39	806
	—	1,837	108	78	2,023
Non-executive directors:					
- Mr. Ou Guoqiang	—	400	54	39	493
- Mr. Ou Guowei	—	362	28	39	429
	—	2,599	190	156	2,945

Period ended June 30, 2017

	Fees	Salaries, allowances and benefits in kind	Performance- related bonuses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
- Mr. Huang Xianzhi	—	1,375	56	52	1,483
- Mr. Lin Zhaoyang	—	888	56	52	996
	—	2,263	112	104	2,479
Non-executive directors:					
- Mr. Ou Guoqiang	—	400	56	52	508
- Mr. Ou Guowei	—	400	28	52	480
	—	3,063	196	208	3,467

Mr. Huang Xianzhi is the chief executive officer and an executive director of the Company. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017 included four directors, four directors, three directors, four directors and two directors respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2016 and 2017 of the remaining one, one, two, one and three highest paid employees who are neither a director nor chief executive of the Company, respectively, are as follows:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, allowances and benefits in kind	417	640	1,742	500	1,423
Performance-related bonuses	54	54	108	27	83
Pension scheme contributions and social welfare	60	67	187	39	156
Total	531	761	2,037	566	1,662

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
				(unaudited)	
Nil to HK\$500,000	—	—	—	—	—
HK\$500,001 to HK\$1,000,000	1	1	1	1	3
HK\$1,000,001 to HK\$1,500,000	—	—	1	—	—
Total	1	1	2	1	3

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiary incorporated in Hong Kong are not liable for income tax as they did not have any assessable profits currently arising in Hong Kong during the Relevant Periods.

Subsidiaries of the Group operating in Mainland China are subject to the PRC corporate income tax rate of 25% for the Relevant Periods.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant Mainland China tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Current tax:					
PRC corporate income tax	184,392	341,553	741,022	358,277	369,760
PRC LAT	115,192	206,150	548,426	390,212	338,713
Deferred tax (note 19)	44,548	(166,738)	(167,762)	(87,866)	(114,508)
Total tax charge for the year/period	344,132	380,965	1,121,686	660,623	593,965

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and its subsidiaries are domiciled to the income tax expense at the effective income tax rate for each of the Relevant Periods is as follows:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before tax	424,233	799,904	2,364,908	1,219,798	970,554
At the statutory income tax rate	106,058	199,976	591,227	304,950	242,639
Effect of different tax levy enacted by local authorities*	—	3,452	—	—	—
Profits and losses attributable to joint ventures and an associate	—	—	1,801	203	4,535
Expenses not deductible for tax	30,798	28,493	15,174	9,259	6,885
Tax losses and deductible temporary differences utilized from previous years	(34,122)	(74,660)	(71,088)	(34,092)	(46,609)
Deductible temporary differences not recognized	60,493	38,560	77,838	26,678	57,236
Tax losses not recognized	94,511	30,532	95,415	60,966	75,244
Provision for LAT	115,192	206,150	548,426	390,212	338,713
Tax effect on LAT	(28,798)	(51,538)	(137,107)	(97,553)	(84,678)
Tax charge at the Group's effective rate	344,132	380,965	1,121,686	660,623	593,965

* The amount includes the effect of higher tax levy under assessment and collection mode of certain subsidiaries enacted by local authorities.

Tax payable in the combined statements of financial position represents:

	December 31,			June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Tax payable				
PRC corporate income tax	193,360	361,266	527,689	581,961
PRC LAT	54,097	118,515	484,124	519,784
	247,457	479,781	1,011,813	1,101,745

11. DIVIDENDS

No dividends have been paid or declared by the Company since its date of incorporation.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Corporate Restructuring and the Reorganization completed on August 24, 2017 and the basis of presentation of the Historical Financial Information for the Relevant Periods as further explained in note 2.1.

13. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles	Office equipment and electronic devices	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2014				
At December 31, 2013 and January 1, 2014:				
Cost	49,880	18,445	6,758	75,083
Accumulated depreciation	(28,033)	(8,078)	(1,900)	(38,011)
Net carrying amount	<u>21,847</u>	<u>10,367</u>	<u>4,858</u>	<u>37,072</u>
At January 1, 2014, net of accumulated				
depreciation	21,847	10,367	4,858	37,072
Additions	11,372	14,047	15,226	40,645
Disposals	(183)	(507)	—	(690)
Depreciation provided during the year	<u>(7,541)</u>	<u>(4,911)</u>	<u>(3,927)</u>	<u>(16,379)</u>
At December 31, 2014, net of accumulated				
depreciation	<u>25,495</u>	<u>18,996</u>	<u>16,157</u>	<u>60,648</u>
At December 31, 2014:				
Cost	61,069	31,985	21,984	115,038
Accumulated depreciation	(35,574)	(12,989)	(5,827)	(54,390)
Net carrying amount	<u>25,495</u>	<u>18,996</u>	<u>16,157</u>	<u>60,648</u>
December 31, 2015				
At December 31, 2014 and January 1, 2015:				
Cost	61,069	31,985	21,984	115,038
Accumulated depreciation	(35,574)	(12,989)	(5,827)	(54,390)
Net carrying amount	<u>25,495</u>	<u>18,996</u>	<u>16,157</u>	<u>60,648</u>
At January 1, 2015, net of accumulated				
depreciation	25,495	18,996	16,157	60,648
Additions	2,271	6,622	4,746	13,639
Disposals	(156)	(419)	—	(575)
Depreciation provided during the year	<u>(7,252)</u>	<u>(7,693)</u>	<u>(7,467)</u>	<u>(22,412)</u>
At December 31, 2015, net of accumulated				
depreciation	<u>20,358</u>	<u>17,506</u>	<u>13,436</u>	<u>51,300</u>
At December 31, 2015:				
Cost	63,184	38,188	26,730	128,102
Accumulated depreciation	(42,826)	(20,682)	(13,294)	(76,802)
Net carrying amount	<u>20,358</u>	<u>17,506</u>	<u>13,436</u>	<u>51,300</u>
December 31, 2016				
At December 31, 2015 and January 1, 2016:				
Cost	63,184	38,188	26,730	128,102
Accumulated depreciation	(42,826)	(20,682)	(13,294)	(76,802)
Net carrying amount	<u>20,358</u>	<u>17,506</u>	<u>13,436</u>	<u>51,300</u>
At January 1, 2016, net of accumulated				
depreciation	20,358	17,506	13,436	51,300
Additions	18,057	3,352	747	22,156
Disposals	(1,313)	(5)	—	(1,318)
Depreciation provided during the year	<u>(7,950)</u>	<u>(7,477)</u>	<u>(6,517)</u>	<u>(21,944)</u>
At December 31, 2016, net of accumulated				
depreciation	<u>29,152</u>	<u>13,376</u>	<u>7,666</u>	<u>50,194</u>

	Motor vehicles	Office equipment and electronic devices	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2016:				
Cost	79,928	41,535	27,477	148,940
Accumulated depreciation	(50,776)	(28,159)	(19,811)	(98,746)
Net carrying amount	<u>29,152</u>	<u>13,376</u>	<u>7,666</u>	<u>50,194</u>
June 30, 2017				
At December 31, 2016 and January 1, 2017:				
Cost	79,928	41,535	27,477	148,940
Accumulated depreciation	(50,776)	(28,159)	(19,811)	(98,746)
Net carrying amount	<u>29,152</u>	<u>13,376</u>	<u>7,666</u>	<u>50,194</u>
At January 1, 2017, net of accumulated				
depreciation	29,152	13,376	7,666	50,194
Additions	5,286	2,040	2,417	9,743
Disposals	(575)	(27)	—	(602)
Depreciation provided during the period	(4,487)	(3,494)	(4,035)	(12,016)
At June 30, 2017, net of accumulated				
depreciation	<u>29,376</u>	<u>11,895</u>	<u>6,048</u>	<u>47,319</u>
At June 30, 2017:				
Cost	84,639	43,548	29,894	158,081
Accumulated depreciation	(55,263)	(31,653)	(23,846)	(110,762)
Net carrying amount	<u>29,376</u>	<u>11,895</u>	<u>6,048</u>	<u>47,319</u>

14. INVESTMENT PROPERTIES

	Under construction	Completed	Total
	RMB'000	RMB'000	RMB'000
Carrying amount at January 1, 2014	359,178	876,302	1,235,480
Additions	1,293,054	—	1,293,054
Net gain from a fair value adjustment	(21,980)	607,036	585,056
Carrying amount at December 31, 2014 and 1 January 2015	<u>1,630,252</u>	<u>1,483,338</u>	<u>3,113,590</u>
Additions	187,915	—	187,915
Transfer	(448,004)	448,004	—
Transferred from completed properties held for sale (note 22)	—	711,546	711,546
Net gain from a fair value adjustment	194,056	578,773	772,829
Carrying amount at December 31, 2015 and 1 January 2016	<u>1,564,219</u>	<u>3,221,661</u>	<u>4,785,880</u>
Additions	892,495	—	892,495
Transfer	(621,974)	621,974	—
Transferred from properties under development (note 21)	963,522	—	963,522
Transferred from completed properties held for sale (note 22)	—	185,813	185,813
Net gain from a fair value adjustment	218,362	375,788	594,150
Carrying amount at December 31, 2016 and 1 January 2017	<u>3,016,624</u>	<u>4,405,236</u>	<u>7,421,860</u>
Additions	316,675	—	316,675
Transfer	(12,336)	12,336	—
Net gain from a fair value adjustment	(8,073)	57,628	49,555
Carrying amount at June 30, 2017	<u>3,312,890</u>	<u>4,475,200</u>	<u>7,788,090</u>

The Group's investment properties are situated in Mainland China. The Group's investment properties were revalued on December 31, 2014, 2015 and 2016 and June 30, 2017 based on valuations performed by Jones

Lang LaSalle Corporate Appraisal and Advisory Limited (“JLL”), an independent professionally qualified valuer, at RMB3,113,590,000, RMB4,785,880,000, RMB7,421,860,000 and RMB7,788,090,000, respectively. The Group’s senior finance manager and the chief financial officer decide, after approval from the board of directors of the Company, to appoint which external valuer to be responsible for the external valuations of the Group’s properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group’s senior finance manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting.

Certain of the Group’s investment properties with aggregate carrying amounts of approximately RMB959,101,000, RMB1,401,275,000, RMB4,059,220,000 and RMB4,256,141,000 as at December 31, 2014, 2015 and 2016 and June 30, 2017, respectively, have been pledged to secure bank and other borrowings granted to the Group (note 29).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group’s investment properties:

Fair value measurement as at December 31, 2014 using			
Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
RMB’000	RMB’000	RMB’000	RMB’000
Recurring fair value measurement for			
Commercial properties			
Under construction	—	—	1,630,252
Completed	—	—	1,483,338
	—	—	3,113,590
	—	—	3,113,590
Fair value measurement as at December 31, 2015 using			
Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
RMB’000	RMB’000	RMB’000	RMB’000
Recurring fair value measurement for			
Commercial properties			
Under construction	—	—	1,564,219
Completed	—	—	3,221,661
	—	—	4,785,880
	—	—	4,785,880
Fair value measurement as at December 31, 2016 using			
Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
RMB’000	RMB’000	RMB’000	RMB’000
Recurring fair value measurement for			
Commercial properties			
Under construction	—	—	3,016,624
Completed	—	—	4,405,236
	—	—	7,421,860
	—	—	7,421,860

	Fair value measurement as at June 30, 2017 using			Total RMB'000
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
Recurring fair value measurement for				
Commercial properties				
Under construction	—	—	3,312,890	3,312,890
Completed	—	—	4,475,200	4,475,200
	—	—	7,788,090	7,788,090

During the Relevant Periods, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range			
			December 31,			June 30, 2017
			2014	2015	2016	
Completed commercial properties	Income capitalization method	Estimated rental value (per square meter and per month) Capitalization rate	RMB29-235 3.5%-5%	RMB29-239 3.5%-5%	RMB29-240 3.5%-5%	RMB29-245 3.5%-5%
Commercial properties under construction	Comparison method	Expected profit margin	15%	8%-18%	10%-20%	10%-20%

The fair value of completed commercial properties is determined by the income capitalization method by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the fair value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sales transactions as available in the relevant market.

A significant increase (decrease) in the estimated rental value would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and the capitalization rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

The fair value of commercial properties under construction is determined by using comparison method, with reference to comparable sales evidence as available in the relevant market to derive the fair value of the property assuming it was completed and, where appropriate, after deducting the following items:

- Estimated construction cost and professional fees to be expensed to complete the properties that would be incurred by a market participant; and
- Estimated profit margin that a market participant would require to hold and develop the property to completion.

The higher the estimated construction cost would result in the lower the fair value of the investment properties under construction.

15. PREPAID LAND LEASE PAYMENTS

	December 31,			June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of the year/period	2,372,544	7,028,552	1,095,331	7,328,831
Addition during the year/period	5,610,403	141,521	6,549,341	5,480,001
Transferred to properties under development (note 21)	(954,395)	(6,074,742)	(315,841)	(6,356,682)
Carrying amount at the end of the year/period	7,028,552	1,095,331	7,328,831	6,452,150
Less: Current portion	5,989,700	86,564	6,941,396	6,064,715
Non-current portion	1,038,852	1,008,767	387,435	387,435

Certain of the Group's prepaid land lease payments with aggregate carrying amounts of approximately RMB6,890,077,000, RMB681,221,000, RMB4,442,747,000 and RMB1,237,475,000 as at December 31, 2014, 2015 and 2016 and June 30, 2017, respectively, have been pledged to secure bank and other borrowings granted to the Group (note 29).

16. OTHER INTANGIBLE ASSETS

	December 31,			June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Software				
At the beginning of the year/period:				
Cost	264	4,503	6,977	8,667
Accumulated amortization	(150)	(333)	(1,621)	(3,429)
Net carrying amount	114	4,170	5,356	5,238
Carrying amount at the beginning of the year/period	114	4,170	5,356	5,238
Additions	4,239	2,474	1,690	592
Amortization provided during the year/period	(183)	(1,288)	(1,808)	(1,178)
Carrying amount at the end of the year/period	4,170	5,356	5,238	4,652
At the end of the year/period:				
Cost	4,503	6,977	8,667	9,259
Accumulated amortization	(333)	(1,621)	(3,429)	(4,607)
Net carrying amount	4,170	5,356	5,238	4,652

17. INVESTMENT IN JOINT VENTURES

	December 31,			June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets	—	—	46,894	1,268,569

The Group's trade receivable and payable balances with joint ventures are disclosed in note 38 to the Historical Financial Information.

(a) Particulars of the Group's joint ventures

Name of Company	Place and year of registration	Paid-in capital RMB'000	Percentage of ownership interest attributable to the Group	Principal activities
長沙正榮正泰置業發展有限公司 Changsha Zhenro Zhengtai Real Estate Development Property Co., Ltd.	Changsha, PRC 2016	100,000	50%	Property development
武漢正榮正升置業有限公司 Zhengsheng Real Estate Co., Ltd.	Wuhan, PRC 2016	100,000	50%	Property development
合肥和桂房地產有限公司 Hefei Hegui Property Co., Ltd.	Hefei, PRC 2017	100,000	33%	Property development
合肥碧榮房地產有限公司 Hefei Birong Property Co., Ltd.	Hefei, PRC 2017	20,000	49%	Property development
蘇州融輝置業有限公司 Suzhou Ronghui Real Estate Co., Ltd.	Suzhou, PRC 2017	100,000	49%	Property development
南昌建美房地產有限公司 Nanchang Jianmei Property Co., Ltd. (Note)	Nanchang, PRC 2017	10,000	19%	Property development

Note: During the Track Record Period, Nanchang Jianmei Property Co., Ltd. ("Nanchang Jianmei") had five shareholders holding 20%, 19%, 21%, 19% and 21% equity interests, respectively. Pursuant to the articles of association of Nanchang Jianmei, all shareholder resolutions of Nanchang Jianmei shall be resolved by the five shareholders on an unanimous basis. In light of this requirement, Nanchang Jianmei is accounted for as a joint venture of the Company notwithstanding that the Company only held a 19% equity interest during the Relevant Periods.

(b) Wuhan Zhengsheng Real Estate Co., Ltd., which is considered a material joint venture of the Group for the six months ended June 30, 2017, co-develops a property development project with the other joint venture partner in Mainland China and is accounted for using the equity method.

The following table illustrates the summarized financial information in respect of Wuhan Zhengsheng Real Estate Co., Ltd. adjusted for any differences in accounting policies and reconciled to the carrying amount in the combined financial statements:

	June 30, 2017 RMB'000
Cash and cash equivalents	1,854
Other current assets	6,013,544
Current assets	6,015,398
Non-current assets	505
Financial liabilities, excluding trade and other payables	(63,026)
Other current liabilities	(66,663)
Current liabilities	(129,689)
Non-current financial liabilities, excluding trade and other payables and provisions	(4,300,000)
Net assets	1,586,214
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	50%
Group's share of net assets of the joint ventures	793,107
Adjustment for unrealized profit and losses from related-party transaction	(288)
Carrying amount of the investment	792,819
Revenue	—
Expenses	(8,881)
Tax	—
Loss and total comprehensive income for the period	(8,881)

- (c) The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	<u>December 31,</u> <u>2016</u>	<u>June 30,</u> <u>2017</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Share of the joint ventures' losses for the year/period	(7,205)	(13,486)
Share of the joint ventures' total comprehensive income	(7,205)	(13,486)
Adjustment for unrealized profit and losses for related-party transactions	(901)	—
Aggregate carrying amount of the Group's investments in the joint ventures	<u>46,894</u>	<u>475,750</u>

The directors of the Company are of the opinion that no provision for impairment is necessary as at December 31, 2016 and June 30, 2017 as the investments in joint ventures are considered fully recoverable.

18. INVESTMENT IN AN ASSOCIATE

	<u>December 31,</u>			<u>June 30,</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Share of net assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,226</u>

The Group's trade receivable and payable balances with an associate are disclosed in note 38 to the Historical Financial Information.

Particulars of the Group's associate

<u>Name of company</u>	<u>Place and year of registration</u>	<u>Paid-in capital</u> <u>RMB'000</u>	<u>Percentage of ownership interest attributable to the Group</u>	<u>Principal activities</u>
Zhengzhou Shengqing Property Co., Ltd. (“鄭州盛清房地產有限公司”)	Zhengzhou, PRC 2017	47,667	24%	Property development

19. DEFERRED TAX ASSETS AND LIABILITIES

The movements in deferred tax assets and liabilities during each of the Relevant Periods are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits	Advertising fee for offsetting against future taxable profits	Payroll and welfare accrual	Accrued construction cost	Unrealized revenue received in advance	Accrued LAT	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2014	31,209	—	2,139	34,957	49,327	3,265	120,897
Deferred tax credited/ (charged) to profit or loss during the year	9,260	8,434	2,079	(20,863)	96,971	5,835	101,716
At December 31, 2014 and January 1, 2015	40,469	8,434	4,218	14,094	146,298	9,100	222,613
Deferred tax credited/ (charged) to profit or loss during the year	(7,719)	(8,381)	911	11,021	349,433	14,680	359,945
At December 31, 2015 and January 1, 2016	32,750	53	5,129	25,115	495,731	23,780	582,558
Deferred tax credited/ (charged) to profit or loss during the year	(10,336)	2,220	183	(5,745)	239,192	90,786	316,300
At December 31, 2016 and January 1, 2017	22,414	2,273	5,312	19,370	734,923	114,566	898,858
Deferred tax credited/ (charged) to profit or loss during the period	8,225	(1,810)	(2,125)	1,450	101,696	19,461	126,897
At June 30, 2017	30,639	463	3,187	20,820	836,619	134,027	1,025,755

Deferred tax liabilities

	Fair value adjustment arising from investment properties
	RMB'000
At January 1, 2014	149,083
Deferred tax charged to profit or loss during the year	146,264
At December 31, 2014 and January 1, 2015	295,347
Deferred tax charged to profit or loss during the year	193,207
At December 31, 2015 and January 1, 2016	488,554
Deferred tax charged to profit or loss during the year	148,538
At December 31, 2016 and January 1, 2017	637,092
Deferred tax charged to profit or loss during the period	12,389
At June 30, 2017	649,481

For presentation purposes, certain deferred tax assets and liabilities have been offset in the combined statements of financial position. The following is an analysis of the deferred tax balances for financial reporting purposes:

	December 31,			June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognized in the combined statements of financial position	180,140	566,597	821,090	921,678
Net deferred tax liabilities recognized in the combined statements of financial position	<u>(252,874)</u>	<u>(472,593)</u>	<u>(559,324)</u>	<u>(545,404)</u>
	<u>(72,734)</u>	<u>94,004</u>	<u>261,766</u>	<u>376,274</u>

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from January 1, 2008 and applies to earnings after December 31, 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from January 1, 2008.

At December 31, 2014, 2015 and 2016 and June 30, 2017, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognized totaled approximately RMB168,397,000, RMB567,881,000, RMB1,650,874,000 and RMB1,959,994,000 as at December 31, 2014, 2015 and 2016 and June 30, 2017, respectively.

20. AVAILABLE-FOR-SALE INVESTMENTS

	December 31,			June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investments, at fair value	1,530	1,438,020	—	508,578
Less: Current	<u>1,530</u>	<u>1,438,020</u>	<u>—</u>	<u>—</u>
Non-current	<u>—</u>	<u>—</u>	<u>—</u>	<u>508,578</u>

The above investments comprise trust and fund investments as at December 31, 2014, 2015 and 2016 and June 30, 2017, which were designated as available-for-sale investments and measured at fair value.

21. PROPERTIES UNDER DEVELOPMENT

	December 31,			June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	9,291,939	27,714,867	39,512,885	37,524,366
Additions	20,311,699	11,267,843	17,227,538	6,991,326
Transferred from prepaid land lease payment (note 15)	954,395	6,074,742	315,841	6,356,682
Transferred to completed properties held for sale (note 22)	(2,586,735)	(5,437,362)	(18,844,811)	(7,783,861)
Transferred to investment properties (note 14)	—	—	(963,522)	—
Impairment losses recognized (note 6)	(266,605)	(107,205)	(19,747)	(35,625)
Impairment losses transferred to completed properties held for sale (note 22)	10,174	—	296,182	32,814
At the end of the year/period	<u>27,714,867</u>	<u>39,512,885</u>	<u>37,524,366</u>	<u>43,085,702</u>

Notes: The Group's properties under development are situated on leasehold lands in Mainland China.

Certain of the Group's properties under development with aggregate carrying amounts of approximately RMB19,314,896,000, RMB27,494,809,000, RMB14,015,451,000 and RMB18,774,915,000 as at December 31, 2014, 2015 and 2016 and June 30, 2017, respectively, have been pledged to secure bank and other borrowings granted to the Group (note 29).

The Group has guaranteed certain bank loans of 正榮(馬尾)投資發展有限公司 ("Mawei Investment"), a subsidiary of 正榮集團有限公司 ("Zhenro Group Company") of RMB400,000,000 as at December 31, 2015. The abovementioned loans were also secured by the pledges of the Group's assets with a carrying value of RMB258,015,000 as at December 31, 2015. Further details are included in note 38 to the Historical Financial Information.

Certain of the Group's properties under development with an aggregate carrying amount of approximately RMB95,343,000 as at December 31, 2014 have been pledged to secure bank loans granted to a third party (note 35(2)).

The movements in provision for impairment of properties under development are as follows:

	December 31,			June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	(10,174)	(266,605)	(373,810)	(97,375)
Impairment losses recognized (note 6)	(266,605)	(107,205)	(19,747)	(35,625)
Impairment losses transferred to completed properties held for sale (note 22)	10,174	—	296,182	32,814
At the end of the year/period	<u>(266,605)</u>	<u>(373,810)</u>	<u>(97,375)</u>	<u>(100,186)</u>

The value of properties under development is assessed at the end of each Relevant Periods. An impairment exists when the carrying value exceeds its recoverable amount, which is the higher of its fair value less costs of disposal. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

22. COMPLETED PROPERTIES HELD FOR SALE

	December 31,			June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of the year/period . . .	555,294	1,029,833	2,564,430	9,526,678
Transferred from properties under development (note 21)	2,586,735	5,437,362	18,844,811	7,783,861
Transferred to investment properties (note 14)	—	(711,546)	(185,813)	—
Transferred to cost of sales (note 6)	(2,120,780)	(3,196,019)	(11,669,971)	(6,360,485)
Impairment losses write-off (note 6)	18,758	4,800	269,403	6,082
Impairment losses transferred from properties under development (note 21)	(10,174)	—	(296,182)	(32,814)
Carrying amount at the end of the year/period	<u>1,029,833</u>	<u>2,564,430</u>	<u>9,526,678</u>	<u>10,923,322</u>

Certain of the Group's completed properties held for sale with aggregate carrying amounts of approximately RMB381,936,000, RMB788,815,000, RMB4,247,233,000 and RMB4,442,124,000 as at December 31, 2014, 2015 and 2016 and June 30, 2017, respectively, have been pledged to secure bank and other borrowings granted to the Group (note 29).

Certain of the Group's completed properties held for sale with an aggregate carrying amount of approximately RMB1,695,000 as at December 31, 2015 have been pledged to secure bank loans granted to a related party, 正榮物業服務有限公司 ("Jiangxi Property Management") (note 38).

Certain of the Group's completed properties held for sale with aggregate carrying amounts of approximately RMB48,633,000 and RMB36,324,000 as at December 31, 2014 and 2015, respectively, have been pledged to secure bank loans granted to third parties (note 35).

The movements in provision for impairment of completed properties held for sale are as follows:

	December 31,			June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	56,243	47,659	42,859	69,638
Impairment losses write-off (note 6)	(18,758)	(4,800)	(269,403)	(6,082)
Impairment loss transferred from properties under development (note 21)	10,174	—	296,182	32,814
At the end of the year/period	<u>47,659</u>	<u>42,859</u>	<u>69,638</u>	<u>96,370</u>

The value of completed properties held for sale is assessed at the end of each Relevant Periods. An impairment exists when the carrying value exceeds its recoverable amount, which is the higher of its fair value less costs of disposal. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

23. TRADE RECEIVABLES

	December 31,			June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	13,985	4,038	10,205	21,188
Impairment	—	—	—	—
	<u>13,985</u>	<u>4,038</u>	<u>10,205</u>	<u>21,188</u>

Trade receivables mainly represent rentals receivable from tenants. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values. An aged analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	December 31,			June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 1 year	2,764	4,038	10,205	16,872
Over 1 year	11,221	—	—	4,316
	<u>13,985</u>	<u>4,038</u>	<u>10,205</u>	<u>21,188</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	December 31,			June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments for acquisition of land use rights	1,482,214	138,500	305,786	1,587,827
Prepayments for construction cost	38,822	44,669	49,283	84,439
Prepayments for investment in a joint venture	—	—	116,141	—
Other tax recoverable	359,460	901,518	1,280,497	1,371,136
Deposits	134,562	387,831	696,731	3,594,633
Due from third parties	117,036	128,753	—	—
Prepayments related to land use right of third parties	—	—	—	1,311,392
Due from non-controlling shareholders of the subsidiaries	229,240	436,240	571,270	643,970
Other receivables	62,161	53,158	72,166	96,762
	<u>2,423,495</u>	<u>2,090,669</u>	<u>3,091,874</u>	<u>8,690,159</u>

Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment. There was no provision made for impairment of other receivables during the Relevant Periods.

25. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PLEDGED DEPOSITS

	December 31,			June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	1,637,286	4,775,849	18,506,779	11,938,543
Less: Restricted cash	275,949	1,726,115	2,984,436	3,819,566
Pledged deposits	335,545	519,007	832,654	758,334
Cash and cash equivalents	<u>1,025,792</u>	<u>2,530,727</u>	<u>14,689,689</u>	<u>7,360,643</u>

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place certain amounts of cash in designated bank accounts for specified use. As at December 31, 2014, 2015 and 2016 and June 30, 2017, such restricted cash amounted to RMB275,949,000, RMB1,726,115,000, RMB2,984,436,000 and RMB2,319,566,000 respectively. As at June 30, 2017, the restricted cash included time deposits amounted to RMB1,500,000,000, which are matured more than three months when acquired by the Group and earn interest at the time deposit rates.

Bank deposits of RMB123,500,000 was pledged as security for bank and other borrowings as at December 31, 2015. Bank deposits of RMB335,545,000, RMB395,507,000, RMB832,654,000 and RMB758,334,000 were pledged as security for purchasers' mortgage loans, construction of projects, or pledged to banks as collateral for issuance of bank acceptance notes as at December 31, 2014, 2015 and 2016 and June 30, 2017, respectively.

At December 31, 2014, 2015 and 2016 and June 30, 2017, all the cash and bank balances of the Group were denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

26. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	December 31,			June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 1 year	2,175,039	4,440,598	5,428,244	4,881,811
Over 1 year	56,122	76,532	78,197	83,216
	<u>2,231,161</u>	<u>4,517,130</u>	<u>5,506,441</u>	<u>4,965,027</u>

Trade payables are unsecured and interest-free and are normally settled based on the progress of construction.

27. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	December 31,			June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Retention deposits related to construction	345,904	479,695	512,420	401,355
Deposits related to sales of properties	19,235	24,363	37,329	48,906
Advances from non-controlling shareholders of subsidiaries	85,600	30,500	68,600	1,215,804
Maintenance fund	61,214	59,043	78,520	80,937
Interest payable	105,426	103,845	102,067	107,767
Payroll and welfare payable	38,871	56,368	74,463	59,258
Advances from employees	1,586	2,120	697	810
Business tax and surcharges	8,276	21,748	43,390	38,780
Advances from third parties	25,680	—	—	—
Deposits related to land use rights	—	—	—	885,532
Others	44,304	33,063	50,547	57,297
	<u>736,096</u>	<u>810,745</u>	<u>968,033</u>	<u>2,896,446</u>

Other payables and advances from non-controlling shareholders of subsidiaries are unsecured, non-interest-bearing and repayable on demand. The fair values of other payables at the end of each of the Relevant Periods approximated to their corresponding carrying amounts.

28. ADVANCES FROM CUSTOMERS

Advances from customers represented the sales proceeds received from buyers in connection with the Group's pre-sale of properties at the end of each of the Relevant Periods.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	December 31, 2014			December 31, 2015			December 31, 2016			June 30, 2017		
	Effective interest rate(%)	Maturity	RMB'000	Effective interest rate(%)	Maturity	RMB'000	Effective interest rate(%)	Maturity	RMB'000	Effective interest rate(%)	Maturity	RMB'000
Current												
Bank loans — unsecured			—			—			120,000			—
Other loans — secured	6.00-18.90	2015	989,401	5.00-15.62	2016	1,175,295	6.30-15.62	2017	3,474,624	7.70-11.80	2018	1,967,657
Other loans — unsecured	7.20	2015	150,000	7.20-12.00	2016	450,000	6.00-9.50	2017	850,000			—
Current portion of long term bank loans — secured	6.46-8.92	2015	2,622,789	5.43-10.46	2016	3,922,014	5.77-7.35	2017	1,346,701	4.75-7.35	2018	5,945,044
Current portion of long term bank loans — unsecured			—			—	7.13	2017	148,437			—
Current portion of long term other loans — secured	8.80-15.50	2015	9,986,034	8.61-15.37	2016	3,684,158	5.64-10.23	2017	4,044,393	5.50-15.05	2018	6,101,677
Current portion of long term other loans — unsecured	14.50	2015	45,000	10.88-14.50	2016	180,000	7.49-13.80	2017	335,000	13.80	2018	250,000
			13,793,224			9,411,467			10,319,155			14,264,378
Non-current												
Bank loans — secured	6.46-8.61	2016-19	3,310,332	5.43-10.46	2017-19	4,995,355	6.00-7.15	2018-19	6,310,945	4.75-7.35	2018-21	5,175,280
Other loans — secured	8.61-15.87	2016-21	12,756,932	9.50-14.50	2017-21	10,951,533	5.55-15.05	2018-21	17,862,161	5.50-15.05	2018-21	15,094,506
Other loans — unsecured	10.88-11.38	2016	320,000			—	4.75-7.49	2018	541,800	6.50-7.30	2018-20	1,879,693
			16,387,264			15,946,888			24,714,906			22,149,479
			30,180,488			25,358,355			35,034,061			36,413,857

Bank and other borrowings

	December 31,			June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Analyzed into:				
Repayable within one year	13,793,224	9,411,467	10,319,155	14,264,378
Repayable in the second year	13,126,563	10,774,848	17,427,532	16,981,467
Repayable within two to five years	2,970,701	4,897,040	7,287,374	5,168,012
Repayable in more than five years	290,000	275,000	—	—
Subtotal	16,387,264	15,946,888	24,714,906	22,149,479
	<u>30,180,488</u>	<u>25,358,355</u>	<u>35,034,061</u>	<u>36,413,857</u>

The Group's borrowings are all denominated in RMB.

The Group's borrowings up to RMB5,862,949,000, RMB3,623,012,000, RMB3,477,075,000 and RMB3,367,364,000 as at December 31, 2014, 2015 and 2016 and June 30, 2017, respectively, were borrowings with floating interest rate.

Certain of the Group's bank and other borrowings are secured by the pledges of the following assets with carrying values at the end of each of the Relevant Periods as follows:

	Notes	December 31,			June 30,
		2014	2015	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000
Investment properties	14	959,101	1,401,275	4,059,220	4,256,141
Prepaid land lease payments	15	6,890,077	681,221	4,442,747	1,237,475
Properties under development	21	19,314,896	27,494,809	14,015,451	18,774,915
Completed properties held for sale	22	381,936	788,815	4,247,233	4,442,124
Restricted cash	25	—	123,500	—	—

The Controlling Shareholders have pledged with 108,100,800, 180,168,000, 162,151,200 and 270,252,000 shares of Zhenro Group Company for certain of the Group's other borrowings up to RMB57,699,000, RMB453,770,000, RMB346,153,000 and RMB1,044,155,000 as at December 31, 2014, 2015 and 2016 and June 30, 2017, respectively.

Zhenro Group Company has guaranteed certain of the Group's bank and other borrowings up to RMB5,968,570,000, RMB5,040,043,000, RMB15,600,789,000 and RMB15,414,773,000 as at December 31, 2014, 2015 and 2016 and June 30, 2017, respectively.

The Controlling Shareholders have guaranteed certain of the bank and other borrowings up to RMB4,674,232,000, RMB4,052,299,000, RMB3,380,328,000 and RMB3,096,905,000 as at December 31, 2014, 2015 and 2016 and June 30, 2017, respectively.

In addition, Zhenro Group Company and the Controlling Shareholders have jointly guaranteed certain of the Group's bank loans up to RMB17,612,205,000, RMB10,120,651,000, RMB7,411,408,000 and RMB10,554,192,000 as at December 31, 2014, 2015 and 2016 and June 30, 2017, respectively.

The Group have pledged future proceeds in respect of properties sold amounting to RMB926,190,000 and RMB873,720,000 as collateral to secure bank and other borrowings amounting to RMB484,350,000 and RMB600,000,000 as at December 31, 2016 and June 30, 2017, respectively.

Management of the Company has assessed that the fair values of interest-bearing bank borrowings and other borrowings approximate to their carrying amounts largely due to the fact that such borrowings were made between the Group and independent third party financial institutions based on prevailing market interest rates.

30. CORPORATE BOND

Name of bond	1 January 2016	Issued in 2016	Interest expense	Payment	December 31, 2016
	Opening balance				Closing balance
	RMB'000				RMB'000
Zhenro Bond I	—	1,957,790	30,987	—	1,988,777

Name of bond	1 January 2017	Issued in 2017	Interest expense	Payment	June 30, 2017
	Opening balance				Closing balance
	RMB'000				RMB'000
Zhenro Bond I	1,988,777	—	70,108	—	2,058,885

As at the end of each of the Relevant Periods, the Group's corporate bond was repayable as follows:

	December 31,			June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Repayable within two to five years	—	—	1,988,777	2,058,885

On October 10, 2016, Jiangxi Real Estate, a wholly-owned subsidiary of the Group issued three-year corporate bond with a principal amount of RMB2,000,000,000 ("Zhenro Bond I"), which were listed on the Shanghai Stock Exchange. Zhenro Bond I are denominated in RMB and bear interest rate at 6.4% per annum, payable annually in arrears on or on the business day nearest to October 10, of each year, beginning October 10, 2017. After deducting the issuance costs, the Group received net proceeds of RMB1,957,790,000 from the issuance. The effective interest rate is 7.22% on an annual basis for the year ended December 31, 2016 and the six months ended June 30, 2017.

According to the terms of Zhenro Bond I, Jiangxi Real Estate may at its option adjust the interest rate at the end of the second year which will be fixed in the remaining period, and the bondholders may at their option sell the bond back to Jiangxi Real Estate, in whole or in part, at a price equal to 100% of the principal amount of the bond plus accrued and unpaid interest to the option exercise date.

After initial recognition, the corporate bond is subsequently measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

The fair values of the corporate bond were RMB1,996,770,000 and RMB2,068,062,000 as at December 31, 2016 and June 30, 2017, respectively. The fair values are calculated using the market price of the bond on those dates. The fair value measurement of Zhenro Bond I issued by Jiangxi Real Estate is categorized within the level 1 of fair value hierarchy as they are listed on the Shanghai Stock Exchange.

31. SHARE CAPITAL

Share

Authorized:	December 31,			June 30,
	2014	2015	2016	2017
	US\$	US\$	US\$	US\$
5,000,000 ordinary shares of US\$0.01 each	50,000	50,000	50,000	50,000

	<u>December 31,</u>			<u>June 30,</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>
Issued and fully paid:				
1 ordinary share at US\$0.01 each	—	—	—	—
	=====	=====	=====	=====

The Company was incorporated in the Cayman Islands on July 21, 2014 with an authorized share capital of US\$50,000 divided in 5,000,000 shares of US\$0.01 par value each. On its date of incorporation, 1 ordinary share of US\$0.01 was allotted by the Company to a subscriber, and was transferred to Warm Shine Limited, a company controlled by Mr. Ou Guowei, on the same date.

As at the date of this report, 3,618, 37,876, 3,630, 2,375, and 2,500 ordinary shares of US\$0.01 were allotted by the Company to Warm Shine Limited, RoYue Limited, RoSheng Limited RoJing Limited, and Sky Bridge Limited, respectively, then the issued share capital of the Company was US\$500.

32. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 are presented in the combined statements of changes in equity.

(a) Capital reserve

The capital reserve represents any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid for acquisition of non-controlling interest in subsidiaries. Details of the movements in capital reserve are set out in the combined statements of changes in equity.

(b) Statutory surplus reserves

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profits after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Group, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(c) Merger reserves

The merger reserve of the Group represents the issued capital of the then holding company of the companies now comprising the Group and the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the Corporate Restructuring and the Reorganization.

33. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings	Corporate bond	Due to shareholders	Due to related companies	Total liabilities from financing activities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2014	14,906,474	—	89,428	2,259,705	17,255,607
Cash flows from financing activities	15,274,014	—	3,764	(1,081,247)	14,196,531
Cash flows from non-financing activities	—	—	—	(824)	(824)
Non-cash changes	—	—	—	—	—
At December 31, 2014	<u>30,180,488</u>	<u>—</u>	<u>93,192</u>	<u>1,177,634</u>	<u>31,451,314</u>
Cash flows from financing activities	(4,822,133)	—	1,000	(407,247)	(5,228,380)
Cash flows from non-financing activities	—	—	—	4,204	4,204
Non-cash changes:					
Disposal of a subsidiary (note 34)	—	—	—	(351)	(351)
Debt-to-equity swap (note 38(vi))	—	—	—	(630,000)	(630,000)
At December 31, 2015	<u>25,358,355</u>	<u>—</u>	<u>94,192</u>	<u>144,240</u>	<u>25,596,787</u>
Cash flows from financing activities	9,675,706	1,957,790	(14,336)	(134,778)	11,484,382
Cash flows from non-financing activities	—	—	—	(1,814)	(1,814)
Non-cash changes:					
Accrual of interest (note 30)	—	30,987	—	—	30,987
At December 31, 2016	<u>35,034,061</u>	<u>1,988,777</u>	<u>79,856</u>	<u>7,648</u>	<u>37,110,342</u>
Cash flows from financing activities	1,379,796	—	—	262,359	1,642,155
Cash flows from non-financing activities	—	—	—	11,972	11,972
Non-cash changes:					
Accrual of interest (note 30)	—	70,108	—	—	70,108
At June 30, 2017	<u>36,413,857</u>	<u>2,058,885</u>	<u>79,856</u>	<u>281,979</u>	<u>38,834,577</u>

34. DISPOSAL OF A SUBSIDIARY

福建昭誠貿易有限公司 (“Zhaocheng Trading”)

Pursuant to the share transfer agreement dated November 28, 2015, the Group disposed of its 75% equity interest in Zhaocheng Trading to Zhenro Group Company for a cash consideration of RMB22,500,000. The consideration was determined by reference to the corresponding value of the equity interest of Zhaocheng Trading disposed of as at November 28, 2015.

	2015 RMB'000
Net assets disposed of:	
Cash and cash equivalents	49
Prepayments, deposits and other receivables	87,155
Property, plant and equipment	10
Other payables, deposits received and accruals	(57,442)
Due to shareholders	(351)
	<u>29,421</u>
Non-controlling interests	(7,355)
Gain on disposal of a subsidiary	434
Satisfied by cash	<u>22,500</u>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	<u>RMB'000</u>
Cash consideration	22,500
Cash and cash equivalents disposed of	(49)
Net inflow of cash and cash equivalents in respect of the disposal of Zhaocheng Trading	<u>22,451</u>

35. CONTINGENT LIABILITIES

At the end of each of the Relevant Periods, contingent liabilities not provided for in the combined financial statements were as follows:

	<u>December 31,</u>			<u>June 30,</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties (1)	4,851,674	11,775,835	18,129,489	21,486,407
Guarantees given to banks and other institutions in connection with facilities granted to related companies and third parties (2)	<u>758,900</u>	<u>1,075,800</u>	—	—
	<u>5,610,574</u>	<u>12,851,635</u>	<u>18,129,489</u>	<u>21,486,407</u>

(1) The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks.

Under the above arrangement the related properties were pledged to the banks as collaterals for the mortgage loans, upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realize the pledge properties through open auction.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance and registration of property ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The Group did not incur any material losses during the Relevant Periods in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The directors of the Company considered that in case of default on payments, the net realizable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

(2) The Group provided guarantees to banks and other institutions in connection with financial facilities granted to the related companies and third parties. The directors of the Company consider that no provision is needed in respect of the guarantees. Further details are included in note 21, note 22 and note 38 to the Historical Financial Information.

36. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases out its investment properties (note 14) under operating lease arrangements with leases negotiated from terms ranging from 1 to 21 years. The terms of leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of each of the Relevant Periods, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<u>December 31,</u>			<u>June 30,</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Within one year	10,309	44,960	54,353	103,229
In the second to fifth years, inclusive	31,482	186,430	189,651	317,377
After five years	<u>27,783</u>	<u>189,320</u>	<u>210,949</u>	<u>306,447</u>
	<u>69,574</u>	<u>420,710</u>	<u>454,953</u>	<u>727,053</u>

As lessee

The Group leases certain of its office properties under operating lease arrangements, negotiated for terms of 1 to 5 years with an option for renewal after the end of lease terms, at which time all terms will be renegotiated.

At the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	December 31,			June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	36,776	43,062	39,005	37,993
In the second to fifth years, inclusive	49,474	53,178	19,264	26,778
	<u>86,250</u>	<u>96,240</u>	<u>58,269</u>	<u>64,771</u>

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36 above, the Group had the following capital commitments at the end of each of the Relevant Periods:

	December 31,			June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:				
Property development activities	10,108,847	10,437,436	6,982,580	7,207,405
Acquisition of land use rights	171,330	146,634	163,621	1,180,606
	<u>10,280,177</u>	<u>10,584,070</u>	<u>7,146,201</u>	<u>8,388,011</u>

38. RELATED PARTY TRANSACTIONS

(1) Name and relationship

Name of related party	Relationship with the Group
Mr. Ou Zongrong	Controlling Shareholders
Mr. Ou Guoqiang	Controlling Shareholders
Zhenro Group Company	Company controlled by the Controlling Shareholders
Mawei Investment	Company controlled by the Controlling Shareholders
福州正榮物業管理有限公司 (“Fuzhou Property Management”)	Company controlled by the Controlling Shareholders
Jiangxi Property Management”	Company controlled by the Controlling Shareholders
正榮集團(上海)置業有限公司 (“Zhenro Group (Shanghai) Real Estate Co., Ltd.”)	Company controlled by the Controlling Shareholders
上海正榮實業投資合夥企業(有限合夥) (“Zhenro LP”)	Entity controlled by the Controlling Shareholders
長沙正榮正泰置業有限公司 (“Changsha Zhenro Zhengtai”)	Joint Venture
武漢正榮正升置業有限公司 (“Wuhan Zhengsheng”)	Joint Venture
蘇州融輝置業有限公司 (“Suzhou Ronghui”)	Joint Venture
南昌建美房地產有限公司 (“Nanchang Jianmei”)	Joint Venture
合肥碧榮房地產有限公司 (“Hefei Birong”)	Joint Venture
合肥和桂房地產有限公司 (“Hefei Hegui”)	Joint Venture
鄭州盛清房地產開發有限公司 (“Zhengzhou Shengqing”)	Associate
正榮公益基金會 (“Zhenro Foundation”)	A close family member of the Controlling Shareholders is the director of the charity

(2) **Significant related party transactions**

The following transactions were carried out with related parties during the Relevant Periods:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Advance from a shareholder:					
Mr. Ou Guoqiang	5,000	1,000	—	—	—
Advances from related companies:					
Zhenro Group Company	16,905,699	28,823,148	25,523,232	6,479,962	—
Mawei Investment	75,763	1,245,684	600,000	—	—
Zhenro Group (Shanghai) Real Estate Co., Ltd	—	45,000	—	—	—
Changsha Zhenro Zhengtai	—	—	640,610	30,120	60,000
Suzhou Ronghui	—	—	—	—	202,359
Repayment of advance from a shareholder:					
Mr. Ou Guoqiang	1,236	—	14,336	—	—
Repayment of advances from related companies:					
Zhenro Group Company	18,056,408	29,295,711	25,523,232	6,339,311	—
Mawei Investment	6,301	1,225,368	689,778	89,778	—
Zhenro Group (Shanghai) Real Estate Co., Ltd	—	—	45,000	45,000	—
Changsha Zhenro Zhengtai	—	—	640,610	—	—
Suzhou Ronghui	—	—	—	—	—
Advance to a shareholder:					
Mr. Ou Guoqiang	—	—	8,210	6,526	2,763
	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Advances to related companies:					
Zhenro Group Company	—	5,455,353	954,286	388,948	—
Changsha Zhenro Zhengtai	—	—	1,842,994	530,944	650,980
Wuhan Zhengsheng	—	—	8,209,927	—	148,000
Zhengzhou Shengqing	—	—	—	—	318,149
Hefei Birong	—	—	—	—	555,378
Nanchang Jianmei	—	—	—	—	147,079
Hefei Hegui	—	—	—	—	601,920
Repayment of advances to related companies:					
Zhenro Group Company	—	3,345,299	3,009,465	2,353,478	53,900
Changsha Zhenro Zhengtai	—	—	1,452,994	—	622,080
Wuhan Zhengsheng	—	—	7,202,751	—	1,095,176
Zhengzhou Shengqing	—	—	—	—	70,683
Hefei Birong	—	—	—	—	334,714
Property management services from related companies: (Note)					
Fuzhou Property Management	5,967	14,009	8,073	3,988	2,538
Jiangxi Property Management	30,993	75,480	114,678	46,518	42,746
Design consultation services to joint ventures: (Note)					
Changsha Zhenro Zhengtai	—	—	586	—	—
Wuhan Zhengsheng	—	—	275	—	—

Note: These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(3) **Other transactions with related parties**

- (i) The Controlling Shareholders have pledged 108,100,800, 180,168,000, 162,151,200 and 270,252,000 shares of Zhenro Group Company for certain of the Group's other borrowings up to RMB57,699,000, RMB453,770,000, RMB346,153,000 and RMB1,044,155,000 as at December 31, 2014, 2015 and 2016 and June 30, 2017, respectively.
- (ii) Zhenro Group Company has guaranteed certain of the Group's bank and other borrowings up to RMB5,968,570,000, RMB5,040,043,000, RMB15,600,789,000 and RMB15,414,773,000 as at December 31, 2014, 2015 and 2016 and June 30, 2017, respectively.
- (iii) The Controlling Shareholders have guaranteed certain of the bank and other borrowings up to RMB4,674,232,000, RMB4,052,299,000, RMB3,380,328,000 and RMB3,096,905,000 as at December 31, 2014, 2015 and 2016 and June 30, 2017, respectively.
- (iv) Zhenro Group Company and the Controlling Shareholders have jointly guaranteed certain of the Group's bank loans up to RMB17,612,205,000, RMB10,120,651,000, RMB7,411,408,000 and RMB10,554,192,000 as at December 31, 2014, 2015 and 2016 and June 30, 2017, respectively.
- (v) Pursuant to the share transfer agreement dated November 28, 2015, the Group disposed of its 75% equity interest in Zhaocheng Trading to Zhenro Group Company for a consideration of RMB22,500,000. The consideration was determined by reference to the corresponding value of the equity interest disposed of.
- (vi) Pursuant to the debt-to-equity swap agreement dated December 28, 2015, 350,000,000 ordinary shares of Zhenro Property Holdings, a subsidiary of the Group, were issued at RMB1 each to Zhenro Group Company to swap debt due to Zhenro Group Company of RMB630,000,000, which resulted in merger reserves of RMB630,000,000.
- (vii) Pursuant to the investment agreement dated July 30, 2015, Zhenro Fund established Zhenro LP as a financing vehicle to provide loans to the Group for real estate development. The effective annual interest rate ranged from 11.80% to 15.62% per annum with the maturity period ranging from 3 months to one year. The Group granted the income right from future sales of certain properties to Zhenro LP as collateral. As at December 31, 2015 and 2016, and June 30, 2017, the balances of borrowings from Zhenro LP amounted to RMB507,446,000, RMB643,455,000 and RMB121,687,000 respectively. These loans were included in interest-bearing bank and other borrowings on the face of the combined statements of financial position of the Group.
- (viii) The Group has guaranteed certain bank and other borrowings of Mawei Investment to the extent of RMB400,000,000 as at December 31, 2015. The abovementioned loans were also secured by the pledges of the Group's properties under development with a carrying value of RMB258,015,000 as at December 31, 2015. Further details are included in note 21 to the Historical Financial Information.
- (ix) The Group has guaranteed certain bank loans of Jiangxi Property Management to the extent of RMB20,000,000 as at December 31, 2015. The abovementioned loans were also secured by the pledges of the Group's assets with a carrying value of RMB1,695,000 as at December 31, 2015. Further details are included in note 22 to the Financial Information.
- (x) The Group has donated up to RMB2,555,000 and RMB2,912,000 to Zhenro Foundation for the year ended December 31, 2016 and the six months ended June 30, 2017, respectively.

(4) Outstanding balances with related parties

	December 31,			June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Due from a shareholder:				
Non trade-related:				
Mr. Ou Guoqiang	—	—	8,210	10,973
Due from related companies:				
Non trade-related:				
Hefei Hegui	—	—	—	601,920
Changsha Zhenro Zhengtai	—	—	390,000	418,900
Zhengzhou Shengqing	—	—	—	247,466
Hefei Birong	—	—	—	220,664
Nanchang Jianmei	—	—	—	147,079
Wuhan Zhengsheng	—	—	1,007,176	60,000
Zhenro Group Company	—	2,110,054	54,875	975
	—	2,110,054	1,452,051	1,697,004
Due from related companies:				
Trade-related:				
Jiangxi Property Management	15,217	11,993	10,828	12,198
Due to shareholders:				
Non trade-related:				
Mr. Ou Guoqiang	72,474	73,474	59,138	59,138
Mr. Ou Zongrong	20,718	20,718	20,718	20,718
	93,192	94,192	79,856	79,856
Due to related companies:				
Non trade-related:				
Suzhou Ronghui	—	—	—	202,359
Changsha Zhenro Zhengtai	—	—	—	60,000
Zhenro Group Company	1,102,913	—	—	—
Mawei Investment	69,462	89,778	—	—
Zhenro Group (Shanghai) Real Estate Co., Ltd	—	45,000	—	—
	1,172,375	134,778	—	262,359
Due to related companies:				
Trade-related:				
Jiangxi Property Management	4,924	8,654	7,235	19,157
Fuzhou Property Management	335	808	413	463
	5,259	9,462	7,648	19,620

Balances with the above related parties were unsecured, non-interest bearing and had no fixed repayment terms.

(5) **Compensation of key management personnel of the Group:**

	December 31,			June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Short-term employee benefits	6,533	9,326	11,385	6,656
Pension scheme contributions	611	748	1,160	656
Total compensation paid to key management personnel	<u>7,144</u>	<u>10,074</u>	<u>12,545</u>	<u>7,312</u>

Further details of directors' emoluments are included in note 8 to the Historical Financial Information.

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

June 30, 2017

Financial assets

	Loans and receivables	Available-for- sale financial assets	Total
	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, deposits and other receivables (note 24)	740,732	—	740,732
Available-for-sale investments	—	508,578	508,578
Trade receivables	21,188	—	21,188
Due from related companies	1,709,202	—	1,709,202
Due from a shareholder	10,973	—	10,973
Restricted cash	3,819,566	—	3,819,566
Pledged deposits	758,334	—	758,334
Cash and cash equivalents	7,360,643	—	7,360,643
	<u>14,420,638</u>	<u>508,578</u>	<u>14,929,216</u>

Financial liabilities

	Financial liabilities at amortized cost	Total
	RMB'000	RMB'000
Trade and bills payables	4,965,027	4,965,027
Financial liabilities included in other payables, deposits received and accruals (note 27)	1,405,318	1,405,318
Interest-bearing bank and other borrowings (note 29)	36,413,857	36,413,857
Corporate bond	2,058,885	2,058,885
Due to shareholders	79,856	79,856
Due to related companies	281,979	281,979
	<u>45,204,922</u>	<u>45,204,922</u>

December 31, 2016

Financial assets

	Loans and receivables
	RMB'000
Financial assets included in prepayments, deposits and other receivables (note 24)	643,436
Trade receivables	10,205
Due from related companies	1,462,879
Due from a shareholder	8,210
Restricted cash	2,984,436
Pledged deposits	832,654
Cash and cash equivalents	14,689,689
	<u>20,631,509</u>

Financial liabilities

	Financial liabilities at amortized cost	Total
	RMB'000	RMB'000
Trade and bills payables	5,506,441	5,506,441
Financial liabilities included in other payables, deposits received and accruals (note 27)	249,884	249,884
Interest-bearing bank and other borrowings (note 29)	35,034,061	35,034,061
Corporate bond	1,988,777	1,988,777
Due to shareholders	79,856	79,856
Due to related companies	7,648	7,648
	<u>42,866,667</u>	<u>42,866,667</u>

December 31, 2015

Financial assets

	Loans and receivables	Available-for- sale financial assets	Total
	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, deposits and other receivables (note 24)	618,151	—	618,151
Available-for-sale investments	—	1,438,020	1,438,020
Trade receivables	4,038	—	4,038
Due from related companies	2,122,047	—	2,122,047
Restricted cash	1,726,115	—	1,726,115
Pledged deposits	519,007	—	519,007
Cash and cash equivalents	2,530,727	—	2,530,727
	<u>7,520,085</u>	<u>1,438,020</u>	<u>8,958,105</u>

Financial liabilities

	Financial liabilities at amortized cost	Total
	RMB'000	RMB'000
Trade and bills payables	4,517,130	4,517,130
Financial liabilities included in other payables, deposits received and accruals (note 27)	195,508	195,508
Interest-bearing bank and other borrowings (note 29)	25,358,355	25,358,355
Due to shareholders	94,192	94,192
Due to related companies	144,240	144,240
	<u>30,309,425</u>	<u>30,309,425</u>

December 31, 2014**Financial assets**

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, deposits and other receivables (note 24)	408,437	—	408,437
Available-for-sale investments	—	1,530	1,530
Trade receivables	13,985	—	13,985
Due from related companies	15,217	—	15,217
Restricted cash	275,949	—	275,949
Pledged deposits	335,545	—	335,545
Cash and cash equivalents	1,025,792	—	1,025,792
	<u>2,074,925</u>	<u>1,530</u>	<u>2,076,455</u>

Financial liabilities

	Financial liabilities at amortized cost	Total
	RMB'000	RMB'000
Trade and bills payables	2,231,161	2,231,161
Financial liabilities included in other payables, deposits received and accruals (note 27)	279,506	279,506
Interest-bearing bank and other borrowings (note 29)	30,180,488	30,180,488
Due to shareholders	93,192	93,192
Due to related companies	1,177,634	1,177,634
	<u>33,961,981</u>	<u>33,961,981</u>

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments as at the end of each of the Relevant Periods, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts				Fair values			
	December 31,			June 30,	December 31,			June 30,
	2014	2015	2016	2017	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets								
Available-for-sale investments (note 20) . .	1,530	1,438,020	—	508,578	1,530	1,438,020	—	508,578
Financial liabilities								
Interest-bearing bank and other borrowings (note 29)	30,180,488	25,358,355	35,034,061	36,413,857	30,160,156	25,494,584	35,088,130	36,425,468

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, restricted cash, amounts due from related companies, amounts due from shareholders, trade receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables, deposits received and accruals, amounts due to shareholders and amounts due to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

For the fair value of the available-for-sale investments, management has estimated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value measurement of the available-for-sale investments is categorized within Level 3 of the fair value hierarchy.

The Group's corporate finance team headed by the chief finance officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At the end of each of the Relevant Periods, the corporate finance team analyzes the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors twice year for annual financial reporting.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at each of the end of Relevant Periods:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Available-for-sale trust and fund investments	Discounted cash flow method	Discount rate	2.08% to 6.4%	1% increase (decrease) increase (decrease) in discount rate would result in the decrease (increase) in fair value of by RMB300, RMB2,991,000, nil and RMB325,000 as at December 31, 2014, 2015, and 2016 and June 30, 2017.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and bank balances, restricted cash, pledged deposits, trade and other receivables, trade and bills payables and other payables, which arise directly from its operations. The Group has other financial assets and liabilities such as available-for-sale investments, interest-bearing bank and other borrowings, amounts due to shareholders, amounts due to related companies and amounts due from related companies. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below:

(a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings set out in note 29. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings and other borrowings.

If the interest rate of bank borrowings and other borrowings had increased/decreased by 1% and all other variables held constant, the profit before tax of the Group, through the impact on floating rate borrowings, would have decreased/increased by approximately RMB58,629,000, RMB36,230,000, RMB34,771,000 and RMB33,673,000 for the years ended December 31, 2014, 2015 and 2016 and six months ended June 30, 2017, respectively.

(b) Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations.

The Group has no concentrations of credit risk in view of its large number of customers. The Group did not record any significant bad debt losses during the Relevant Periods.

The credit risk of the Group's other financial assets, which mainly comprise restricted cash and pledged deposits, other receivables, and amounts due from related companies, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of the Relevant Periods, based on contractual undiscounted payments, is as follows:

	On demand	Less than 3 months	3 to 12 months	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
June 30, 2017					
Interest-bearing bank and other borrowings . . .	—	2,764,274	13,776,786	23,403,675	39,944,735
Corporate bond	—	—	128,000	2,256,000	2,384,000
Trade and bills payables	4,965,027	—	—	—	4,965,027
Other payables	2,896,446	—	—	—	2,896,446
Due to shareholders	79,856	—	—	—	79,856
Due to related companies	281,979	—	—	—	281,979
	<u>8,223,308</u>	<u>2,764,274</u>	<u>13,904,786</u>	<u>25,659,675</u>	<u>50,552,043</u>
December 31, 2016					
Interest-bearing bank and other borrowings . . .	—	2,114,986	10,653,312	26,635,452	39,403,750
Corporate bond	—	—	128,000	2,256,000	2,384,000
Trade and bills payables	5,506,441	—	—	—	5,506,441
Other payables	968,033	—	—	—	968,033
Due to shareholders	79,856	—	—	—	79,856
Due to related companies	7,648	—	—	—	7,648
	<u>6,561,978</u>	<u>2,114,986</u>	<u>10,781,312</u>	<u>28,891,452</u>	<u>48,349,728</u>
December 31, 2015					
Interest-bearing bank and other borrowings . . .	—	1,944,200	8,788,314	19,508,831	30,241,345
Trade and bills payables	4,517,130	—	—	—	4,517,130
Other payables	810,745	—	—	—	810,745
Due to shareholders	94,192	—	—	—	94,192
Due to related companies	144,240	—	—	—	144,240
	<u>5,566,307</u>	<u>1,944,200</u>	<u>8,788,314</u>	<u>19,508,831</u>	<u>35,807,652</u>
December 31, 2014					
Interest-bearing bank and other borrowings . . .	—	1,654,482	14,663,876	18,393,872	34,712,230
Trade and bills payables	2,231,161	—	—	—	2,231,161
Other payables	736,096	—	—	—	736,096
Due to shareholders	93,192	—	—	—	93,192
Due to related companies	1,177,634	—	—	—	1,177,634
	<u>4,238,083</u>	<u>1,654,482</u>	<u>14,663,876</u>	<u>18,393,872</u>	<u>38,950,313</u>

(d) **Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholder's value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes, within net debt, interest-bearing bank and other borrowings, trade and bills payables, other payables, deposits received and accruals, amounts due to shareholders and amounts due to related companies less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	December 31,			June 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	2,231,161	4,517,130	5,506,441	4,965,027
Other payables, deposits received and accruals	736,096	810,745	968,033	2,896,446
Interest-bearing bank and other borrowings	30,180,488	25,358,355	35,034,061	36,413,857
Corporate bond	—	—	1,988,777	2,058,885
Due to shareholders	93,192	94,192	79,856	79,856
Due to related companies	1,177,634	144,240	7,648	281,979
Less: Cash and cash equivalents	<u>(1,025,792)</u>	<u>(2,530,727)</u>	<u>(14,689,689)</u>	<u>(7,360,643)</u>
Net debt	<u>33,392,779</u>	<u>28,393,935</u>	<u>28,895,127</u>	<u>39,335,407</u>
Equity attributable to owners of the parent	1,560,796	6,149,013	7,974,754	8,375,599
Capital and net debt	<u>34,953,575</u>	<u>34,542,948</u>	<u>36,869,881</u>	<u>47,711,006</u>
Gearing ratio	<u>96%</u>	<u>82%</u>	<u>78%</u>	<u>82%</u>

42. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests were set out below:

December 31, 2016

	Percentage of equity interest held by non-controlling interests	Profit for the year allocated to non-controlling interests	Accumulated balances of non- controlling interests
	%	RMB'000	RMB'000
Mawei Real Estate	37.5	—	70,095
Suzhou Real Estate	37.29	—	199,391
Suzhou Property	48.09	—	227,998
Nanjing Investment	49	—	297,602

The following tables illustrate the summarized financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Mawei Real Estate	Suzhou Real Estate	Suzhou Property	Nanjing Investment
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	—	1,293,355	414,323	—
Total expenses	(41,411)	(1,102,415)	(404,413)	(58,461)
Income tax expense	—	(47,786)	(2,516)	14,089
Profit/(loss) and total comprehensive income for the year	<u>(41,411)</u>	<u>143,154</u>	<u>7,394</u>	<u>(44,372)</u>
Current assets	2,272,990	1,594,803	3,500,194	7,022,007
Non-current assets	116,759	4,380	20,476	105,245
Current liabilities	(2,115,191)	(715,935)	(2,575,484)	(5,518,721)
Non-current liabilities	<u>(87,638)</u>	<u>(348,545)</u>	<u>(471,080)</u>	<u>(1,001,179)</u>
Net cash flows from operating activities	121,289	250,920	1,246,685	1,266,456
Net cash flows used in investing activities	(19,118)	(124)	(45)	—
Net cash flows from/(used in) financing activities	184,787	(268,086)	(1,177,951)	(870,035)
Net increase/(decrease) in cash and cash equivalent	<u>286,958</u>	<u>(17,290)</u>	<u>68,689</u>	<u>396,421</u>

June 30, 2017

	Percentage of equity interest held by non-controlling interests	Profit/(loss) for the period allocated to non-controlling interests	Accumulated balances of non- controlling interests
	%	RMB'000	RMB'000
Pingtang Real Estate	49	64,373	119,498
Mawei Real Estate	37.5	19,838	173,971
Suzhou Real Estate	37.29	(9,374)	190,017
Suzhou Property	48.09	(1,734)	226,264
Hefei Yongtuo	75	(1,122)	298,878

The following tables illustrate the summarized financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Pingtang Real Estate	Mawei Real Estate	Suzhou Real Estate	Suzhou Property	Hefei Yongtuo
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	871,222	—	418,805	101,377	—
Total expenses	(641,334)	(4,519)	(390,473)	(103,893)	(1,496)
Income tax expense	(98,515)	57,421	(53,471)	(1,090)	—
Profit/(loss) and total comprehensive income for the period	<u>131,373</u>	<u>52,902</u>	<u>(25,139)</u>	<u>(3,606)</u>	<u>(1,496)</u>
Current assets	1,193,740	2,784,474	1,580,429	3,681,191	2,072,878
Non-current assets	27,652	205,432	17,276	26,221	53
Current liabilities	(977,519)	(2,434,979)	(790,371)	(2,868,308)	(1,674,429)
Non-current liabilities	—	(91,004)	(297,769)	(368,603)	—
Net cash flows from/(used in) operating activities	363,971	(115,609)	(184,722)	(125,602)	(298,827)
Net cash flows from/(used in) investing activities	—	—	445	15	(54)
Net cash flows from/(used in) financing activities	<u>(295,420)</u>	<u>(155,500)</u>	<u>200,979</u>	<u>6,774</u>	<u>300,000</u>
Net increase/(decrease) in cash and cash equivalent	<u>68,551</u>	<u>(271,109)</u>	<u>16,702</u>	<u>(118,813)</u>	<u>1,119</u>

43. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to June 30, 2017.

REGISTERED OFFICES

<i>Registered Office</i>	<i>Corporate Headquarters</i>	<i>Place of Business in Hong Kong</i>
Walkers Corporate Limited Cayman Corporate Center 27 Hospital Road George Town Grand Cayman KY1-9008 Cayman Islands	28/F Gubei International Fortune Center II 1438 Hongqiao Road Changning District Shanghai, PRC	18/F Tesbury Center 28 Queen's Road East Wanchai Hong Kong

TRUSTEE

Citicorp International Limited
39/F, Champion Tower
3 Garden Road
Central

PAYING AGENT AND REGISTRAR

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

LEGAL ADVISORS TO THE COMPANY

as to U.S. and Hong Kong Law

Sidley Austin
39/F
Two International Finance Center
8 Finance Street, Central
Hong Kong

as to Cayman Islands law and British Islands law

Walkers
Suite 15/F
Alexandra House
18 Chater Road, Central
Hong Kong

as to PRC law

**Commerce & Finance Law
Offices**
6/F, NCI Tower
A12 Jianguomenwai Avenue Chaoyang District,
Beijing
China

INDEPENDENT AUDITOR

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

SINGAPORE LISTING AGENT

Shook Lin & Bok LLP
1 Robinson Road
#18-00 AIA Tower
Singapore, 048542